



ANNUAL BUDGET OF  
NONGOMA MUNICIPALITY  
2016/17 TO 2018/19  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS

*Draft budget and Medium Term Revenue & Expenditure Framework for  
2016/17 term*

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***Abbreviations and Acronyms***

<i>AMR</i>	<i>Automated Meter Reading</i>	<i>KPI</i>	<i>Key Performance Indicator</i>
<i>ASGISA</i>	<i>Accelerated and Shared Growth Initiative</i>	<i>LED</i>	<i>Local Economic Development</i>
<i>BPC</i>	<i>Budget Planning Committee</i>	<i>MEC</i>	<i>Member of the Executive Committee</i>
<i>CFO</i>	<i>Chief Financial Officer</i>	<i>MFMA</i>	<i>Municipal Financial Management Act Programme</i>
<i>CM</i>	<i>City Manager</i>	<i>MIG</i>	<i>Municipal Infrastructure Grant</i>
<i>CPI</i>	<i>Consumer Price Index</i>	<i>MMC</i>	<i>Member of Mayoral Committee</i>
<i>CRRF</i>	<i>Capital Replacement Reserve Fund</i>	<i>MPRA</i>	<i>Municipal Properties Rates Act</i>
<i>DBSA</i>	<i>Development Bank of South Africa</i>	<i>MSA</i>	<i>Municipal Systems Act</i>
<i>DORA</i>	<i>Division of Revenue Act</i>	<i>MTEF</i>	<i>Medium-term Expenditure Framework</i>
<i>EE</i>	<i>Employment Equity</i>	<i>MTREF</i>	<i>Medium-term Revenue and Expenditure Framework</i>
<i>EM</i>	<i>Executive Mayor</i>	<i>NGO</i>	<i>Non-Governmental organisations</i>
<i>FBS</i>	<i>Free basic services</i>	<i>NKPIs</i>	<i>National Key Performance Indicators</i>
<i>GAMAP</i>	<i>Generally Accepted Municipal Accounting Practice</i>	<i>OHS</i>	<i>Occupational Health and Safety</i>
<i>GDP</i>	<i>Gross domestic product</i>	<i>OP</i>	<i>Operational Plan</i>
<i>GFS</i>	<i>Government Financial Statistics</i>	<i>PMS</i>	<i>Performance Management System</i>
<i>GRAP</i>	<i>General Recognised Accounting Practice</i>	<i>PPE</i>	<i>Property Plant and Equipment</i>
<i>HR</i>	<i>Human Resources</i>	<i>PTIS</i>	<i>Public Transport Infrastructure System</i>
<i>HSRC</i>	<i>Human Science Research Council</i>	<i>SALGA</i>	<i>South African Local Government Association</i>
<i>IDP</i>	<i>Integrated Development Strategy</i>	<i>SAPS</i>	<i>South African Police Service</i>
<i>IT</i>	<i>Information Technology</i>	<i>SDBIP</i>	<i>Service Delivery Budget Implementation Plan</i>
<i>KM</i>	<i>Kilometre</i>	<i>SMME</i>	<i>Small Micro and Medium Enterprises</i>
<i>KPA</i>	<i>Key Performance Area</i>		

## **Part 1 – Annual Budget**

### **1.1 Mayor’s Budget Speech**

*Honorable Speaker – Cllr A N Mchunu*

*Honorable Deputy Mayor – Cllr T B Nyoka*

*Honorable Members of the Executive Committee*

*Honorable Councillors*

*Municipal Manager – Mr. BE Ntanzu*

*Heads of Department*

*Ladies and Gentlemen*

I am honored to present to you the final budget for 2016/17 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

In the past years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. Nongoma Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of “doing business smarter”.

Management within local government has a significant role to play in strengthening the link between the citizen and government’s overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

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The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2016/17 budget was prepared under challenging circumstances. It has taken a lot of effort and creativity to balance this budget. What we have tried to achieve with this year's budget is to meet the obligations of the municipality towards its electorate – you the voter, you the community member of Nongoma. To bring the best services to you with the financial resources we have is a mammoth task. However working together we can do more.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

We have started a revenue enhancement project, the vehicle testing centre which will be finalized in the new financial year. This project aims at increasing our revenue base, which will result in the upward revision of the grade of this municipality.

This budget is viewed by us as a budget for the people by the people. It covers the aspirations of our youth, by looking at their future. It talks to the needs of people living with HIV and AIDS. It does not discriminate people living with disabilities. It was done according to the budget guidelines.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2016/17 MTREF Budget:

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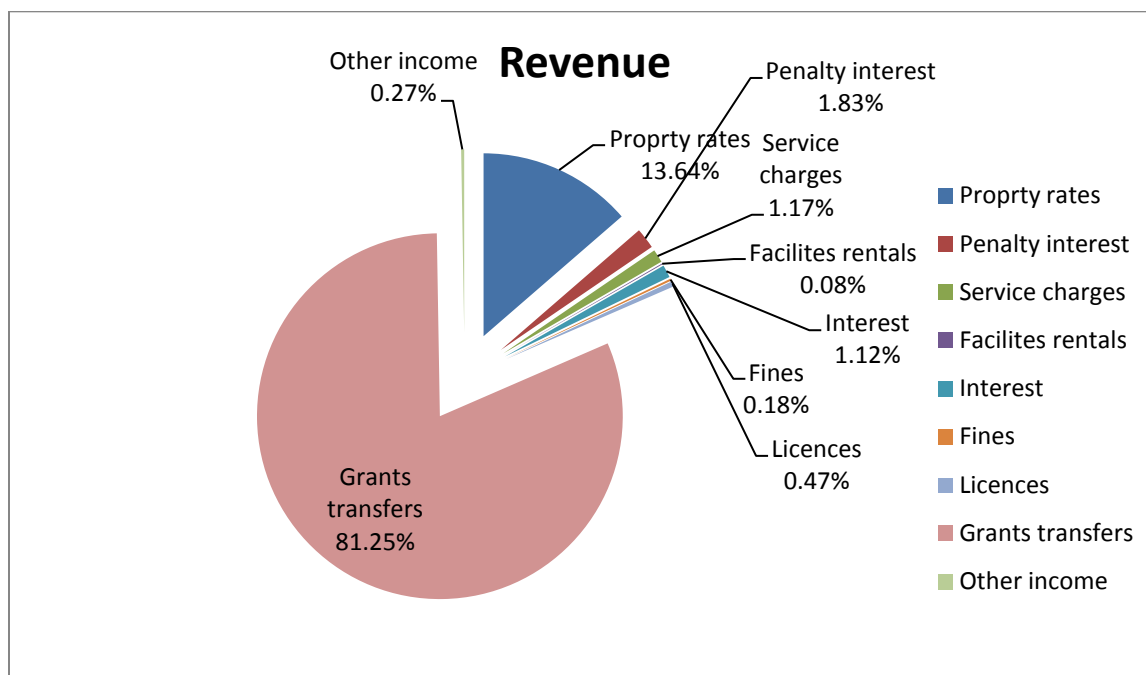
Description	Ref	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand						
<u>Revenue By Source</u>						
Total Revenue (excluding capital transfers and contributions)		152 789 147	156 225 064	153 549 385	161 795 768	170 147 962
Total Expenditure		142 766 672	145 577 932	147 899 220	157 589 529	165 752 759
Surplus/(Deficit)		10 022 475	10 647 132	5 650 165	4 206 238	4 395 203
Add: Capital expenditure		47 873 000	61 914 034	54 167 000	49 667 000	50 776 000
Surplus/(Deficit) for the year		190 639 672	207 491 966	202 066 220	207 256 529	216 528 759

Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

**a) Detailed operating revenue**

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Revenue By Source</u></b>					
Property rates	16 740 021	19 753 538	20 938 751	22 195 076	23 526 781
Property rates - penalties & collection charges	2 556 153	2 651 126	2 810 193	2 978 805	3 157 533
Service charges - refuse revenue	1 678 860	1 678 860	1 789 665	1 900 624	2 012 761
Rental of facilities and equipment	172 106	83 724	122 329	129 913	137 578
Interest earned - external investments	1 243 954	1 613 881	1 720 397	1 827 062	1 934 859
Fines	396 997	264 243	281 683	299 147	316 797
Licences and permits	670 888	670 888	715 167	759 507	804 318
Transfers recognised - operational	129 124 000	129 124 000	124 761 000	131 270 000	137 796 000
Other revenue	206 167	384 803	410 201	435 634	461 336
<b>Total municipal revenue</b>	<b>152 789 147</b>	<b>156 225 064</b>	<b>153 549 385</b>	<b>161 795 768</b>	<b>170 147 962</b>

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**b) Detailed operating expenditure**

Description R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Expenditure By Type</b>					
Employee related costs	56 680 739	63 231 742	65 755 179	70 724 606	74 003 363
Remuneration of councillors	11 995 756	11 995 756	12 715 501	13 478 431	14 287 137
Debt impairment	1 818 569	1 818 569	1 760 265	1 858 840	1 962 935
Depreciation & asset impairment	18 330 302	12 943 007	10 150 547	10 907 758	11 679 634
Finance charges	19 468	23 467	482 035	391 097	292 494
Contracted services	14 785 329	16 974 483	17 794 899	18 620 295	19 465 471
Transfers and grants	207 411	207 411	217 140	166 882	176 728
Other expenditure	38 892 943	37 539 905	39 023 310	41 441 840	43 885 496
<b>Total Expenditure</b>	<b>142 730 515</b>	<b>144 734 339</b>	<b>147 898 876</b>	<b>157 589 749</b>	<b>165 753 259</b>

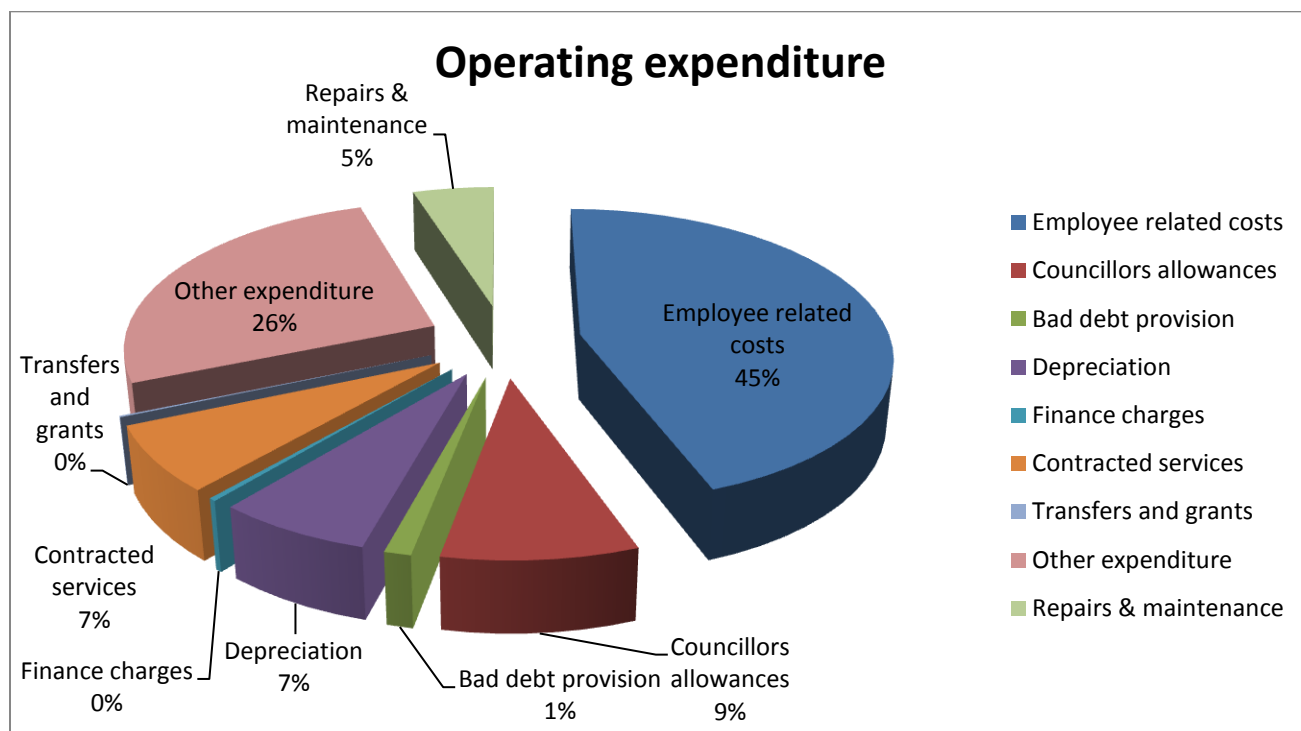
The municipality strengthened the human capital during the previous budgets through filling in critical positions. Hence there will be no new positions created and filled during the 2016/17 financial term. The management may consider reshuffling within the current organogram if vacancies arise.

The employee related cost plus councillors allowances budgeted has escalated to 53.3 per cent in the current 2016/17 budget.



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Mr Speaker, the R39.0 million for other expenditure is broken down as follows:

***Draft budget and Medium Term Revenue & Expenditure Framework for  
2016/17 term***

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Advertising & Recruit	600 609.98	446 213.09	788 794.97	837 700.26	887 124.58
Audit Fees	1 711 347.51	.	1 930 896.45	2 050 612.03	2 171 598.14
Internal Audit Fees	300 000.00	300 000.00	319 800.00	339 627.60	359 665.63
Catering & Refreshment	386 207.59	356 207.59	400 453.29	425 281.40	450 373.00
Debts Collection	600 000.00	1 000 000.00	1 000 000.00	1 062 000.00	1 124 658.00
Pauper Burials	524 000.00	524 000.00	558 584.00	593 216.21	628 215.96
HIV/Aids	1 048 000.00	1 048 000.00	1 117 168.00	1 186 432.42	1 256 431.93
Public Participation	419 200.00	419 200.00	500 000.00	532 000.00	563 388.00
Sports	1 572 000.00	1 572 000.00	1 500 000.00	1 593 000.00	1 686 987.00
Tourism Artwork	207 084.64	229 796.76	380 811.12	402 921.41	425 901.77
Legal Fees	1 022 693.10	819 740.00	873 842.83	928 021.09	982 774.33
Transport costs	273 023.28	79 739.44	85 002.24	90 272.38	95 598.45
Printing & Stationery	607 530.18	300 000.00	0.00	0.00	0.00
Ward Committees	1 401 535.42	1 401 535.42	1 512 000.00	1 605 744.00	1 700 482.90
Conference & Seminars	297 694.57	311 325.96	331 838.94	352 364.09	373 127.76
Subsistence & Transport	2 369 945.52	3 698 444.97	3 878 912.51	4 119 255.09	4 362 211.94
Accommodation costs	1 164 617.41	2 830 498.77	2 931 066.80	3 112 716.51	3 296 326.43
Cleaning materials			350 000.00	371 700.00	393 630.30
kitchen tea	92 631.97	109 047.82	80 000.00	84 960.00	89 972.64
Telephone	421 455.20	421 455.20	225 665.00	239 656.23	253 795.95
Disasters	733 600.00	983 600.00	800 000.00	849 600.00	899 726.40
Insurance	1 661 385.99	1 001 385.99	1 067 477.47	1 133 661.07	1 200 547.07
Bank Charges	102 033.42	73 567.30	78 422.74	83 284.95	88 198.76
Training	967 068.40	801 119.26	864 393.13	917 985.50	972 146.65
Student barsaries		160 000.00	170 560.00	181 134.72	191 821.67
Health & safety		100 000.00	105 900.00	112 465.80	119 101.28
Disabled Persons	553 344.00	753 000.00	330 000.00	350 460.00	371 137.14
Softw are & Licences	860 310.58	937 668.12	1 415 314.30	1 503 063.78	1 591 744.55
Professional Fees	7 309 905.85	3 914 205.27	3 613 042.81	3 837 051.47	4 063 437.50
Policies, plans development & review	2 747 990.40	2 547 990.40	1 759 723.37	1 868 826.22	1 979 086.96
Small Tools	188 497.62	94 177.62	424 610.03	451 535.85	478 176.46
Uniforms	826 075.96	696 075.96	1 247 842.18	1 324 468.40	1 402 136.84
Refuse bags	168 748.12	172 388.58	233 750.71	248 243.25	262 889.60
Rentals			125 000.00	132 750.00	140 582.25
Fuel	861 543.26	795 271.08	847 758.97	900 320.03	953 438.91
Water and Electricity	376 223.37	502 902.98	536 094.58	569 332.44	602 923.05
IDP Planning	1 190 000.00	1 190 000.00	1 100 000.00	1 168 200.00	1 237 123.80
LED Projects	3 150 000.00	3 150 000.00	3 500 000.00	3 717 000.00	3 936 303.00
Subscriptions - Membership fees	524 000.00	524 000.00	638 584.00	678 176.21	718 188.60
Communication	940 000.00	940 000.00	900 000.00	955 800.00	1 012 192.20
Youth Development	524 000.00	524 000.00	500 000.00	531 000.00	562 329.00
Shared Services	188 640.00	-	-	-	-
<b>Total</b>	<b>38 892 943.33</b>	<b>35 728 557.58</b>	<b>39 023 310.44</b>	<b>41 441 840.38</b>	<b>43 885 496.41</b>

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**c) Capital Expenditure**

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Capital expenditure on new assets by Asset Class/Sub-class</u></b>					
<b><u>Infrastructure</u></b>	42 381	52 181	44 817	44 567	49 276
<i>Roads: Roads, Pavements &amp; Bridges</i>	30 381	40 181	30 417	32 567	34 276
<i>Electricity: Transmission &amp; Reticulation</i>	12 000	12 000	14 000	12 000	15 000
<i>Other:Paving</i>			400		
<b><u>Community</u></b>	–	900	800	1 000	–
Other		900	800	1 000	
<b><u>Other assets</u></b>	5 492	8 833	8 550	4 100	1 500
General vehicles	3 130	3 130	5 950	3 100	500
Plant & equipment	353	3 353	650	–	–
Computers - hardware/equipment	277	340	243	–	–
Furniture and other office equipment	1 232	1 252	507	–	–
Other Buildings	200	–	1 000	1 000	1 000
Other	300	758	200	–	–
<b>Total Capital Expenditure on new assets</b>	<b>47 873</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>

Capital projects to be undertaken over the medium-term includes, amongst others:

- ✚ *Electrification projects to the value of R14 million*
- ✚ *Construction of recreational facilities (sports fields) – R5.7 million;*
- ✚ *Construction of rural roads – R16.8 million;*
- ✚ *Construction of community halls – R7.9 million*
- ✚ *Fencing : Current landfill site – R1 million*
- ✚ *Vehicles: Grader - Technical Services (R2.5 million)*
  - : *Compactor truck – Waste management ( R1.5 million)*
  - : *1xBakkie 4x4 – Disaster management (1 000 000)*
  - : *1xBakkie 4x2 – Corporate Services (R300 000)*
  - : *1xBakkie 4x4 – Corporate Services (R450 000)*
  - : *1xSedan x1 – Corporate services (R200 000)*
- ✚ *Furniture – (R507 000)*

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✚ Computers equipments – (R243 000)

✚ Software – Auto cad system – Planning department (100 000)

The municipality will be implementing the expanded public works programme for an amount of R1.1 million as per the National Treasury allocation.

### **Tariffs**

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the tariffs beyond the inflation target of 6%. Municipalities are required to justify all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target.

Municipal property rates tariffs has been increased by 6% while tariffs for other service charges have been increased by the same 6% for the 2016/17 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2015/16 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude to the Councillors of Nongoma, the Municipal Manager Mr BE Ntanzu, the Chief Financial Officer Mr M Mthembu, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

**Hon Councillor J B Mavundla**  
**Mayor of Nongoma Municipality.**

## **1.2 Council Resolutions**

On 30 March 2015 the Council of the Municipality met in the Council Chambers of Nongoma Municipality to consider the annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
  - 1.1. The Draft annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10.
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 13.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 14;
    - 1.2.2. Budgeted Cash Flows as contained in Table 15;

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- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 16;
  - 1.2.4. Asset management as contained in Table 17; and
  - 1.2.5. Basic service delivery measurement as contained in Table 18.
2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016:
- 2.1. the tariffs for property rates .
3. The Council of Nongoma Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services.

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

## *Draft budget and Medium Term Revenue & Expenditure Framework for 2016/17 term*

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National Treasury's MFMA Circular No. 78 and 79 that were used to guide the compilation of the 2016/17 MTREF tabled.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- ✚ The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- ✚ Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of solid waste disposal. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- ✚ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is an overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

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**Table 1 Overview of the 2016/17 MTREF**

Description	Ref	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand						
<u>Revenue By Source</u>						
Total Revenue (excluding capital transfers and contributions)		152 789 147	156 225 064	153 549 385	161 795 768	170 147 962
Total Expenditure		142 766 672	145 577 932	147 899 220	157 589 529	165 752 759
Surplus/(Deficit)		10 022 475	10 647 132	5 650 165	4 206 238	4 395 203

Total operating revenue has declined by 1.7% or R2.6 million for the 2016/17 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 5.3% and increased by 8.9% in 2018/19, equating to a total revenue growth of R13.9 million over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year has been appropriated at R147.8 million and translates into a budgeted surplus of R5.6 million. When compared to the 2015/16 Adjustments Budget, operational expenditure has grown by 1.6% in the 2016/17 budget and by 8.3% in 2017/18 and 13.9% in 2018/19. The surpluses of R5.6 million, R4.2 million and R4.3 million in 2016/17, 2017/18 and 2018/19 respectively can be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R54.1 million for 2016/17 is 12.6 per cent less when compared to the 2015/16 Adjustment Budget. The capital programme decreases to R49.6 million in the 2017/18 financial year and increases to R50.7 million in 2018/19. A substantial portion of the capital budget will be funded from conditional grants over the MTREF. The R5.9 borrowings will be raised to fund capital project in 2016/17. The balance will be funded from internally generated funds.

## **1.4 Operating Revenue and Expenditure Framework**

For the Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be



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made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- ✚ National Treasury's guidelines and macroeconomic policy;
- ✚ Growth in the Municipality and continued economic development;
- ✚ Efficient revenue management, which aims to ensure an annual collection rate of not less than 70% for property rates and other key service charges;
- ✚ Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- ✚ The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- ✚ Increase ability to extend new services and recover costs;
- ✚ The municipality's Indigent Policy and rendering of free basic services; and
- ✚ Tariff policies of the Municipality.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>					
<i>Property rates</i>	16 740 021	19 753 538	20 938 751	22 195 076	23 526 781
<i>Property rates - penalties &amp; collection charges</i>	2 556 153	2 651 126	2 810 193	2 978 805	3 157 533
<i>Service charges - refuse revenue</i>	1 678 860	1 678 860	1 789 665	1 900 624	2 012 761
<i>Rental of facilities and equipment</i>	172 106	83 724	122 329	129 913	137 578
<i>Interest earned - external investments</i>	1 243 954	1 613 881	1 720 397	1 827 062	1 934 859
<i>Fines</i>	396 997	264 243	281 683	299 147	316 797
<i>Licences and permits</i>	670 888	670 888	715 167	759 507	804 318
<i>Transfers recognised - operational</i>	129 124 000	129 124 000	124 761 000	131 270 000	137 796 000
<i>Other revenue</i>	206 167	384 803	410 201	435 634	461 336
<b>Total municipal revenue</b>	<b>152 789 147</b>	<b>156 225 064</b>	<b>153 549 385</b>	<b>161 795 768</b>	<b>170 147 962</b>

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In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognized forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 18.7 per cent of the total revenue mix. In the 2016/17 financial year, revenue from rates and services charges totalled R28.9 million. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 13.6 per cent or R20.9 million rand and increases to R23.5 million by 2018/19. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, interest on investments, fines, rentals of facilities building plan fees and other fees. The Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R124.7 million in the 2016/17 financial year and increases to R131.2 million and R137.7 in 2017/18 and 2018/19 respectively. The decrease in 2016/17 financial year is mainly due to decrease in gazetted equitable share allocation for budget year.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**

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Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>										
<b>RECEIPTS:</b>	1, 2									
<u>Operating Transfers and Grants</u>										
<b>National Government:</b>		75 301	84 707	100 009	128 351	128 351	128 351	123 973	130 449	136 936
Local Government Equitable Share		72 001	81 167	96 234	123 997	123 997	123 997	121 046	128 549	134 781
Finance Management		1 500	1 650	1 800	1 800	1 800	1 800	1 825	1 900	2 155
Municipal Systems Improvement		800	890	934	930	930	930	–	–	–
EPWP Incentive		1 000	1 000	1 041	1 624	1 624	1 624	1 102	–	–
<b>Provincial Government:</b>		245	952	672	723	723	723	738	771	810
Provincialisation of Libraries		245	514	535	553	553	553	559	583	613
Municipal Assistance Programme		–	–	–	–	–	–	–	–	–
Community Library Services		–	120	126	170	170	170	179	188	197
sports fields maintenance		–	300	–	–	–	–	–	–	–
CATHSETA		–	18	11	–	–	–	–	–	–
<b>District Municipality:</b>		50	50	–	50	50	50	50	50	50
Tourism		50	50	–	50	50	50	50	50	50
<b>Total Operating Transfers and Grants</b>	5	75 596	85 709	100 681	129 124	129 124	129 124	124 761	131 270	137 796

### Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

#### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

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The following stipulations in the Property Rates Policy are highlighted:

- ✚ The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
- ✚ 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- ✚ For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- ✚ The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 6% increase from 1 July 2016 is contained below:

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**Table 4 Comparison of proposed rates to be levied for the 2016/17 financial year:**

Category	Proposed Tariff (1 July 2016)	Current Tariff (1 July 2015)
	<b>C</b>	<b>C</b>
Residential property (Rebate – 30%)	0.0147	0.0139
Agricultural land	0.0038	0.0036
Public Service Infrastructure	0.0260	0.0246
Business property	0.0294	0.0277
Commercial property	0.0294	0.0277
Industrial property	0.0294	0.0277
Mining land	0.0294	0.0277
Vacant land	0.0586	0.0553
Indigent property	-	-
Specialised NMP	0.0147	0.0139
Municipal property	Nil	Nil

#### **1.4.2 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6% increase in the waste removal tariff is proposed from 1 July 2016. Any increase higher than 6% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2016:

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**Table 5 Comparison between current waste removal fees and increases**

Category	Proposed Tariff (1 July 2016)	Current Tariff (1 July 2015)
	R	R
Domestic Consumers	101	95.40
Business:		
- Bulk	3 472	3 275
- Small	419	395
Governmental Institutions:		
- Hospitals/Clinics	3 472	3275
- Educational	3 472	3275
- Other	3 472	3275
Market Stalls	107	101
Hall Rental (Refundable Deposit of R300)	2 120	2 000
Billboards	615	580

#### 1.4.3 Other tariffs of charges to be levied.

##### FEE STRUCTURE FOR APPLICATIONS IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT ACT, 2013 (ACT NO. 16 OF 2013)

NO	APPLICATION TYPE	DESCRIPTION	RATE	AMOUNT	QTY
1	Search Fee		Basic fee	R 20.00	
2	Copies of Documents		A4	R 2.00	
3			A3	R 3.00	
4	Consent in terms of a scheme		Basic fee	R 3 000..00	
5	Subdivision of land up to 5 pieces of land		Basic fee	R 3 000.00	

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<b>6</b>	Plus per subdivision + remainder		R 200.00
<b>7</b>	Subdivision of land over 5 pieces of land	Basic fee	R 4 000.00
<b>8</b>	Plus per subdivision + remainder		R 120.00
<b>9</b>	Subdivision for Government-subsidized Townships for low-income housing project	Basic fee	R 160.00
<b>10</b>	Plus per subdivision + remainder		R 20.00
<b>11</b>	Consolidation of land	Basic fee	R 500.00
<b>12</b>	Plus per component		R 50.00
<b>13</b>	Subdivision and consolidation of land simultaneously	Basic fee	R 3 500.00
<b>14</b>	Plus per component + remainder		R 250.00
<b>15</b>	Cancellation of approved layout plan	Basic fee	R 1 000.00
<b>16</b>	Relaxation of building lines	Basic fee	R 200.00
<b>17</b>	Relaxation of municipal omnibus servitudes	Basic fee	R 200.00
<b>18</b>	Preparation of Service Agreements	Basic fee	R 1 000.00
<b>19</b>	Alteration, suspension and deletion of condition of title relating to land	Basic fee	R 2 000.00
<b>20</b>	Alteration, suspension and deletion of condition of approval relating to land	Basic fee	R 3 000.00
<b>23</b>	Development situated outside the area of a scheme	Basic fee	R 3 000.00
<b>24</b>	Closure of municipal road	Basic fee	R 3 000.00
<b>25</b>	Closure of public place	Basic fee	R 3 000.00
<b>26</b>	Application for rezoning	Less than 1ha	R 3 000.00
<b>27</b>	1ha to 5ha		R 8 000.00
<b>28</b>	5ha to 10ha		R16 000.00
<b>29</b>	10ha & above		R20 000.00

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**NB. Advertisement costs shall be borne by the applicant.** Upon confirmation of the application being complete and the 14 day acknowledgement period having lapsed, the Development Planning Department shall, within a period of **14 working days**, supply the applicant with the text of the notice to be advertised in the two official language of the region, which the applicant shall place in the local newspaper at their cost, and serve copies thereof on affected property owners as directed by the Development Officer.

ENFORCEMENT	RATE	QTY	AMOUNT
1	Confirmation of Contravention on site		R 5 000.00
2	Continued operation per day until matter in Court		R 500.00
3	<b>TOTAL</b>		

**NB: Charge be imposed by Court** – This fine is imposed by the Court in consultation with the Council and may not be less than 10% and not more than 100% of the value of the building, construction, engineering, mining, or other operation performed.

PRINTED MAPS	BLACK AND WHITE	COLOUR	QTY	AMOUNT
1	A4	R 30.00	R 60.00	
2	A3	R 60.00	R 120.00	
3	A2	R 80.00	R 180.00	
4	A1	R 120.00	R 240.00	
5	A0	R150.00	R 300.00	

**ADVERTISING SIGNAGE INCOME**

NO	APPLICATION TYPE	DESCRIPTION	RATE	AMOUNT
31	Application Fee-Standard			R 413



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32	Application Fee-Billboard	R 2385
33	Application Fee-Mobile Signs Permit	R 413
34	Application Fee-For Sale Signs Permit	R 1320
35	Application Fee-on show signs Permit	R 1320
36	Annual Fee-Billboard (private Property) (Per M2 per sign face	R 159
37	Annual Fee-Billboard (Municipal property) (Per M2 per sign face)	R 254
38	Annual Fee-Directional Sign (per sign face)	R 848
39	Annual Fee-illuminated street Name Signs (per Sign face)	R 1166
40	Annual Fee-Litter Bins	R 461
41	Annual Fee-Permanent street pole posters (per sign face)	R 498
42	Annual Fee-pole Bins	R 461
43	Annual Fee-seating bench	R 721
44	Annual Fee-Encroaching sign	R 933
45	Permit Fee-Banner	R 461
46	Permit Fee-Mobile sign	R 1590
47	Permit Fee-Poster (non-commercial per poster maximum 100 posters	R 663
48	Permit Fee-poster (commercial per poster maximum 100 poster)	R 1320
49	Annual Tariff increase (%)	6 %

**ADVERTISING SIGNAGE DEPOSIT**

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50	Deposit-Banner	R 1060
51	Deposit-For sale permit	R 1590
52	Deposit-Mobile sign	R 1590
53	Deposit-On show permits	R 1590
54	Deposit-Poster	R 1590
55	Deposit-Election poster per party	

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**Table 6 Summary of operating expenditure by standard classification item**

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Expenditure By Type</u></b>					
Employee related costs	56 680 739	63 231 742	65 755 179	70 724 606	74 003 363
Remuneration of councillors	11 995 756	11 995 756	12 715 501	13 478 431	14 287 137
Debt impairment	1 818 569	1 818 569	1 760 265	1 858 840	1 962 935
Depreciation & asset impairment	18 330 302	12 943 007	10 150 547	10 907 758	11 679 634
Finance charges	19 468	23 467	482 035	391 097	292 494
Contracted services	14 785 329	16 974 483	17 794 899	18 620 295	19 465 471
Transfers and grants	207 411	207 411	217 140	166 882	176 728
Other expenditure	38 892 943	37 539 905	39 023 310	41 441 840	43 885 496
<b>Total Expenditure</b>	<b>142 730 515</b>	<b>144 734 339</b>	<b>147 898 876</b>	<b>157 589 749</b>	<b>165 753 259</b>

The budgeted allocation for employee related costs for the 2016/17 financial year totals R65.7 million, which equals 44.5% of the total operating expenditure. Based on MFMA circular 75, salary increases have been factored into this budget at a percentage increase of 6.4% for the 2016/17 financial year. Compared to 2015/16, employee related costs have increased by 4% partly due to no provision made for additional employees. An annual increase of 7.6% and 7.2% have been included in the two outer years of the MTREF respectively which is based on the collective agreement reached between SALGA and Trade Unions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). A percentage increase of 6% has been factored into the budget for this financial year.

The provision of debt impairment was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2016/17 financial year this amount equates to R1.7 million and increases up to R1.9 million by 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

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Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate for asset consumption. Budget appropriations in this regard total R10.1 million for the 2016/17 financial year and equates to 6.8% of the total operating expenditure. Note that the municipality implemented GRAP 17 accounting standard in 2008/09 and brought a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years and going forward.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.33% (R482 035 thousand) of operating expenditure. The municipality projects that R5.9 million long-term finance will be sourced to fund vehicles next financial year.

Contracted services comprise budgeted expenditure for security services, waste management services, supply and delivery of stationery, fleet management and repairs & maintenance costs.. In the 2016/17 financial year, this group of expenditure totals R17.7 million or 12.0%. For the two outer years increased to R18.6 and R19.4 millions respectively.

Transfers and grants of R157 thousand relates to the provision for 50kwv free basic electricity (FBE). The above provision is anticipated to increase after additional beneficiaries has been identified. Included in this figure is proposed R60 000 to be transferred to the local tourism association in Nongoma office.

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget has been limited to R39.0 million for 2016/17 and R41.4 million and R43.8 million for the two outer years.

### **1.4.3 Priority given to repairs and maintenance**

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

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**Table 7 Operational repairs and maintenance**

Description  R thousand	Ref  1	2012/13	2013/14	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>		1 019	3 151	4 398	4 398	4 398	4 398	4 671	4 947
Roads, Pavements & Bridges		1 019	3 151	4 398	4 398	4 398	4 398	4 671	4 947
<b>Other assets</b>		1 529	1 355	2 794	2 154	2 154	2 862	3 035	3 214
General vehicles		510	767	1 162	663	663	548	578	612
Plant & equipment		255	85	69	79	79	84	89	94
Other Buildings		765	503	1 562	1 412	1 412	2 230	2 368	2 508
<b>Total Repairs and Maintenance Expenditure</b>	1	2 548	4 506	7 192	6 552	6 552	7 260	7 706	8 161

The infrastructure relating to electricity, water and sanitation is now the responsibility of the District Municipality. The total allocation for 2016/17 equates to R7.2 million, R7.7 million and R8.1 million for 2016/17 and 2018/19 respectively. In relation to the total operating expenditure, repairs and maintenance comprises of 4.9% for 2016/17 and also 4.9% for the two outer years of the MTREF.

Road Infrastructure has been allocated R4.4 million of total repairs and maintenance equating to 60.5% for the 2016/17 financial year. 30.7% or R2.2 million of total repairs and maintenance for 2016/17 financial year will be spent on civil buildings.

#### **1.4.4 Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 80 000 or more indigent households during the 2016/17 financial year, a process is reviewed annually. Details relating to free services, cost of free basis services as well as basic service delivery measurement is contained in Table21 SA10 (Basic Service Delivery Measurement) on page 30.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

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## 1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 8 2014/15 Medium-term capital budget per vote**

Description  R thousand	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>					
<b><u>Infrastructure</u></b>	<b>42 381</b>	<b>52 181</b>	<b>44 817</b>	<b>44 567</b>	<b>49 276</b>
<i>Roads: Roads, Pavements &amp; Bridges</i>	30 381	40 181	30 417	32 567	34 276
<i>Electricity: Transmission &amp; Reticulation</i>	12 000	12 000	14 000	12 000	15 000
<i>Other: Paving</i>			400		
<b><u>Community</u></b>	<b>–</b>	<b>900</b>	<b>800</b>	<b>1 000</b>	<b>–</b>
Other		900	800	1 000	
<b><u>Other assets</u></b>	<b>5 492</b>	<b>8 833</b>	<b>8 550</b>	<b>4 100</b>	<b>1 500</b>
General vehicles	3 130	3 130	5 950	3 100	500
Plant & equipment	353	3 353	650	–	–
Computers - hardware/equipment	277	340	243	–	–
Furniture and other office equipment	1 232	1 252	507	–	–
Other Buildings	200	–	1 000	1 000	1 000
Other	300	758	200	–	–
<b>Total Capital Expenditure on new assets</b>	<b>47 873</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>

For 2016/17 an amount of R44.8 million has been appropriated for the development of infrastructure and community assets which represents 82.7% of the total capital budget. In the outer years this amount totals R44.5 million and R49.2 million respectively for each of the financial years.

Total new assets represent 100% or R54.1 million of the total capital budget while no capital budget allocation has been made for asset renewal. Further detail relating to asset classes and proposed capital expenditure is contained in Table 20 A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the projects to be undertaken over the medium-term includes, amongst others:

✚ *Electrification projects to the value of R14 million*

✚ *Construction of recreational facilities (sports fields) – R5.7 million;*

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- ✚ Construction of rural roads – R16.8 million;
- ✚ Construction of community halls – R7.9 million
- ✚ Fencing : Current landfill site – R1 million
- ✚ Vehicles: Grader - Technical Services (R2.5 million)
  - : Compactor truck – Waste management (R1.5 million)
  - : 1xBakkie 4x4 – Disaster management (1 000 000)
  - : 1xBakkie 4x2 – Corporate Services (R300 000)
  - : 1xBakkie 4x4 – Corporate Services (R450 000)
  - : 1xSedan x1 – Corporate services (R200 000)
- ✚ Furniture – (R507 000)
- ✚ Computers equipments – (R243 000)

National Treasury stopped the continuation of the two projects namely, Museum and By-pass road and they will be continued when the municipality has been advised to do so and funding available.

## **1.6 Annual Budget Tables**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

### **Table 9 MBRR Table A1 - Budget Summary**

# Draft budget and Medium Term Revenue & Expenditure Framework for 2016/17 term

**KZN265 Nongoma - Table A1 Budget Summary**

Description R thousands	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Financial Performance</u></b>										
Property rates	7 646	12 320	15 792	19 296	22 405	22 405	22 405	23 749	25 174	26 684
Service charges	1 568	1 515	1 654	1 679	1 679	1 679	1 679	1 790	1 901	2 013
Investment revenue	535	476	1 138	1 244	1 614	1 614	1 614	1 720	1 827	1 935
Transfers recognised - operational	75 393	85 942	101 320	129 124	129 124	129 124	129 124	124 761	131 270	137 796
Other own revenue	2 799	3 416	3 602	1 446	1 404	1 404	1 404	1 529	1 624	1 720
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>87 940</b>	<b>103 670</b>	<b>123 507</b>	<b>152 789</b>	<b>156 225</b>	<b>156 225</b>	<b>156 225</b>	<b>153 549</b>	<b>161 796</b>	<b>170 148</b>
Employee costs	42 515	50 032	49 565	56 681	63 232	63 232	63 232	65 755	70 725	74 003
Remuneration of councillors	8 329	9 847	11 277	11 996	11 996	11 996	11 996	12 716	13 478	14 287
Depreciation & asset impairment	9 952	17 624	9 723	18 330	12 943	12 943	12 943	10 151	10 908	11 680
Finance charges	381	368	257	19	23	23	23	482	391	292
Materials and bulk purchases	—	—	—	—	—	—	—	—	—	—
Transfers and grants	67	134	211	207	207	207	207	217	167	177
Other expenditure	35 271	44 536	48 758	55 533	57 177	57 177	57 177	58 578	61 921	65 313
<b>Total Expenditure</b>	<b>96 514</b>	<b>122 542</b>	<b>119 791</b>	<b>142 767</b>	<b>145 578</b>	<b>145 578</b>	<b>145 578</b>	<b>147 898</b>	<b>157 590</b>	<b>165 753</b>
<b>Surplus/(Deficit)</b>	<b>(8 573)</b>	<b>(18 872)</b>	<b>3 716</b>	<b>10 022</b>	<b>10 647</b>	<b>10 647</b>	<b>10 647</b>	<b>5 651</b>	<b>4 206</b>	<b>4 395</b>
Transfers recognised - capital	71 787	58 130	42 891	42 891	42 891	42 891	42 891	44 417	44 567	49 276
Contributions recognised - capital & contributed assets	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>63 213</b>	<b>39 257</b>	<b>46 607</b>	<b>52 913</b>	<b>53 538</b>	<b>53 538</b>	<b>53 538</b>	<b>50 068</b>	<b>48 773</b>	<b>53 671</b>
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>	<b>63 213</b>	<b>39 257</b>	<b>46 607</b>	<b>52 913</b>	<b>53 538</b>	<b>53 538</b>	<b>53 538</b>	<b>50 068</b>	<b>48 773</b>	<b>53 671</b>
<b><u>Capital expenditure &amp; funds sources</u></b>										
<b>Capital expenditure</b>	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>
Transfers recognised - capital	55 418	51 946	36 210	42 381	42 381	42 381	42 381	44 417	44 567	49 276
Public contributions & donations	—	—	—	—	—	—	—	—	—	—
Borrowing	—	—	—	—	—	—	—	5 950	—	—
Internally generated funds	9 326	714	1 318	5 492	19 533	19 533	19 533	3 800	5 100	1 500
<b>Total sources of capital funds</b>	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>
<b><u>Financial position</u></b>										
Total current assets	13 174	13 122	31 927	34 655	31 111	31 111	31 111	40 766	49 059	61 780
Total non current assets	207 547	229 964	255 344	301 072	304 315	304 315	304 315	348 332	387 091	426 187
Total current liabilities	24 530	20 681	17 315	19 258	15 711	15 711	15 711	17 368	17 307	17 199
Total non current liabilities	5 143	6 090	7 710	4 268	7 576	7 576	7 576	10 578	9 105	7 631
Community wealth/Equity	191 048	216 679	262 247	312 201	312 139	312 139	312 139	361 151	409 738	463 137
<b><u>Cash flows</u></b>										
Net cash from (used) operating	71 774	50 534	54 621	63 302	57 208	57 208	57 208	53 711	52 774	58 023
Net cash from (used) investing	(64 744)	(53 006)	(36 683)	(47 873)	(61 914)	(61 914)	(61 914)	(53 845)	(47 851)	(48 966)
Net cash from (used) financing	(997)	2 647	(3 221)	(326)	(333)	(333)	(333)	4 426	(1 473)	(1 473)
<b>Cash/cash equivalents at the year end</b>	<b>785</b>	<b>960</b>	<b>15 678</b>	<b>20 399</b>	<b>10 639</b>	<b>10 639</b>	<b>10 639</b>	<b>15 775</b>	<b>19 224</b>	<b>26 807</b>
<b><u>Cash backing/surplus reconciliation</u></b>										
Cash and investments available	785	953	15 714	20 399	10 639	10 639	10 639	15 775	19 224	26 807
Application of cash and investments	17 987	6 297	1 347	6 966	(43)	(311)	(311)	(2 231)	(5 558)	(9 127)
<b>Balance - surplus (shortfall)</b>	<b>(17 201)</b>	<b>(5 343)</b>	<b>14 368</b>	<b>13 433</b>	<b>10 682</b>	<b>10 950</b>	<b>10 950</b>	<b>18 006</b>	<b>24 782</b>	<b>35 935</b>
<b><u>Asset management</u></b>										
Asset register summary (WDV)	207 547	229 964	255 344	301 072	304 315	304 315	348 332	348 332	387 091	426 187
Depreciation & asset impairment	9 952	17 624	9 723	18 330	12 943	12 943	10 151	10 151	10 908	11 680
Renewal of Existing Assets	—	—	—	—	—	—	—	—	—	—
Repairs and Maintenance	2 548	4 506	—	7 192	6 552	6 552	7 260	7 260	7 706	8 161
<b><u>Free services</u></b>										
Cost of Free Basic Services provided	—	—	—	—	—	—	—	—	—	—
Revenue cost of free services provided	—	—	3 213	3 406	392	392	392	392	416	441
<b><u>Households below minimum service level</u></b>										
Water:	—	—	—	—	—	—	—	—	—	—
Sanitation/sewerage:	20	20	—	21	21	21	21	21	21	21
Energy:	—	—	—	—	—	—	—	—	—	—
Refuse:	39	39	—	41	41	41	41	41	41	41



**Explanatory notes to Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognized is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for

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all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

**Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

**KZN265 Nongoma - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		83 940	98 758	118 235	147 448	151 085	151 085	148 702	157 834	165 962
Budget and treasury office		83 758	98 758	118 235	147 392	151 005	151 005	148 617	157 744	165 867
Corporate services		182	–	–	56	80	80	85	90	96
<i>Community and public safety</i>		696	2 718	1 879	1 186	1 057	1 057	1 127	1 184	1 247
Community and social services		442	2 633	1 292	815	819	819	873	914	962
Public safety		254	85	588	371	238	238	254	269	285
<i>Economic and environmental services</i>		73 523	58 808	43 516	45 317	45 245	45 245	46 297	45 394	50 152
Planning and development		22	58 130	42 891	44 646	44 574	44 574	45 582	44 634	49 347
Road transport		73 501	678	625	671	671	671	715	760	804
<i>Trading services</i>		1 568	1 515	1 654	1 679	1 679	1 679	1 790	1 901	2 013
Waste management		1 568	1 515	1 654	1 679	1 679	1 679	1 790	1 901	2 013
<i>Other</i>	4	–	–	50	50	50	50	50	50	50
<b>Total Revenue - Standard</b>	2	159 727	161 799	165 335	195 680	199 116	199 116	197 966	206 363	219 424
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		54 895	112 776	114 112	81 790	87 441	87 441	82 876	88 330	93 902
Executive and council		15 581	10 913	9 657	27 207	33 283	33 283	33 090	35 228	37 431
Budget and treasury office		22 103	100 999	103 527	36 518	34 265	34 265	32 097	34 200	36 335
Corporate services		17 211	864	928	18 065	19 893	19 893	17 689	18 902	20 136
<i>Community and public safety</i>		12 056	1 495	3 380	22 331	19 483	19 483	26 074	27 630	29 213
Community and social services		7 914	873	2 544	14 337	12 005	12 005	18 109	19 084	20 076
Public safety		4 142	622	836	7 994	7 478	7 478	7 965	8 546	9 137
<i>Economic and environmental services</i>		18 669	1 837	1 965	26 483	25 834	25 834	26 957	28 799	28 883
Planning and development		4 507	864	926	18 501	17 700	17 700	18 588	19 883	21 199
Road transport		14 162	973	1 039	7 982	8 134	8 134	8 370	8 916	7 684
<i>Trading services</i>		9 980	6 118	–	11 493	12 144	12 144	11 286	12 143	13 023
Waste management		9 980	6 118	–	11 493	12 144	12 144	11 286	12 143	13 023
<i>Other</i>	4	913	315	334	671	677	677	704	687	732
<b>Total Expenditure - Standard</b>	3	96 514	122 542	119 791	142 767	145 578	145 578	147 898	157 590	165 753
<b>Surplus/(Deficit) for the year</b>		63 213	39 257	45 544	52 913	53 538	53 538	50 068	48 773	53 671

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides

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the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 on page 26.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

**Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

# Draft budget and Medium Term Revenue & Expenditure Framework for 2016/17 term

**KZN265 Nongoma - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - Governance and Administration		–	–	–	–	–	–	–	–	–
Vote 2 - Financial Services		83 758	98 758	118 235	147 392	151 005	151 005	148 617	157 744	165 867
Vote 3 - Corporate Services		182	–	–	56	80	80	85	90	96
Vote 4 - Sport, Recreation and Community Services		442	2 633	1 292	815	819	819	873	914	962
Vote 5 - Economic and Environmental Services		72 880	58 130	42 891	44 646	44 574	44 574	45 582	44 634	49 347
Vote 6 - Transport and Roads		643	678	625	671	671	671	715	760	804
Vote 7 - Safety and Security		254	85	588	371	238	238	254	269	285
Vote 8 - Solid Waste Management		1 568	1 515	1 654	1 679	1 679	1 679	1 790	1 901	2 013
Vote 9 - Tourism		–	–	50	50	50	50	50	50	50
<b>Total Revenue by Vote</b>	2	<b>159 727</b>	<b>161 799</b>	<b>165 335</b>	<b>195 680</b>	<b>199 116</b>	<b>199 116</b>	<b>197 966</b>	<b>206 363</b>	<b>219 424</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Governance and Administration		15 581	15 080	9 657	27 207	33 283	33 283	33 090	35 228	37 431
Vote 2 - Financial Services		22 103	70 060	103 527	36 518	34 265	34 265	32 097	34 200	36 335
Vote 3 - Corporate Services		17 211	5 759	928	18 065	19 893	19 893	17 689	18 902	20 136
Vote 4 - Sport, Recreation and Community Services		7 914	9 882	944	14 337	12 005	12 005	18 109	19 084	20 076
Vote 5 - Economic and Environmental Services		14 448	6 196	927	18 501	17 700	17 700	18 588	19 883	21 199
Vote 6 - Transport and Roads		4 221	3 821	2 638	7 982	8 134	8 134	8 370	8 916	7 684
Vote 7 - Safety and Security		4 142	5 310	836	7 994	7 478	7 478	7 965	8 546	9 137
Vote 8 - Solid Waste Management		9 980	6 118	–	11 493	12 144	12 144	11 286	12 143	13 023
Vote 9 - Tourism		913	315	334	671	677	677	704	687	732
<b>Total Expenditure by Vote</b>	2	<b>96 514</b>	<b>122 542</b>	<b>119 791</b>	<b>142 767</b>	<b>145 578</b>	<b>145 578</b>	<b>147 898</b>	<b>157 590</b>	<b>165 753</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>63 213</b>	<b>39 257</b>	<b>45 544</b>	<b>52 913</b>	<b>53 538</b>	<b>53 538</b>	<b>50 068</b>	<b>48 773</b>	<b>53 671</b>

## **Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services.

## **Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

# Draft budget and Medium Term Revenue & Expenditure Framework for 2016/17 term

**KZN265 Nongoma - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>											
Property rates	2	7 646	12 320	14 729	16 740	19 754	19 754	19 754	20 939	22 195	23 527
Property rates - penalties & collection charges		1 219	1 356	1 897	2 556	2 651	2 651	2 651	2 810	2 979	3 158
Service charges - refuse revenue	2	1 568	1 515	1 654	1 679	1 679	1 679	1 679	1 790	1 901	2 013
Rental of facilities and equipment		149	117	121	172	84	84	84	122	130	138
Interest earned - external investments		535	476	1 138	1 244	1 614	1 614	1 614	1 720	1 827	1 935
Fines		225	334	588	397	264	264	264	282	299	317
Licences and permits		647	678	625	671	671	671	671	715	760	804
Transfers recognised - operational		75 393	85 942	101 320	129 124	129 124	129 124	129 124	124 761	131 270	137 796
Other revenue	2	559	931	372	206	385	385	385	410	436	461
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>87 940</b>	<b>103 670</b>	<b>122 444</b>	<b>152 789</b>	<b>156 225</b>	<b>156 225</b>	<b>156 225</b>	<b>153 549</b>	<b>161 796</b>	<b>170 148</b>
<b>Expenditure By Type</b>											
Employee related costs	2	42 515	50 032	49 565	56 681	63 232	63 232	63 232	65 755	70 725	74 003
Remuneration of councillors		8 329	9 847	11 277	11 996	11 996	11 996	11 996	12 716	13 478	14 287
Debt impairment	3	1 007	2 630	1 612	1 819	1 819	1 819	1 819	1 760	1 859	1 963
Depreciation & asset impairment	2	9 952	17 624	9 723	18 330	12 943	12 943	12 943	10 151	10 908	11 680
Finance charges		381	368	257	19	23	23	23	482	391	292
Contracted services		7 649	9 113	10 901	14 785	16 974	16 974	16 974	17 795	18 620	19 465
Transfers and grants		67	134	211	207	207	207	207	217	167	177
Other expenditure	4, 5	26 615	32 793	36 246	38 929	38 383	38 383	38 383	39 023	41 442	43 885
<b>Total Expenditure</b>		<b>96 514</b>	<b>122 542</b>	<b>119 791</b>	<b>142 767</b>	<b>145 578</b>	<b>145 578</b>	<b>145 578</b>	<b>147 898</b>	<b>157 590</b>	<b>165 753</b>
<b>Surplus/(Deficit)</b>		<b>(8 573)</b>	<b>(18 872)</b>	<b>2 653</b>	<b>10 022</b>	<b>10 647</b>	<b>10 647</b>	<b>10 647</b>	<b>5 651</b>	<b>4 206</b>	<b>4 395</b>
Transfers recognised - capital		71 787	58 130	42 891	42 891	42 891	42 891	42 891	44 417	44 567	49 276
<b>Surplus/(Deficit) for the year</b>		<b>63 213</b>	<b>39 257</b>	<b>45 544</b>	<b>52 913</b>	<b>53 538</b>	<b>53 538</b>	<b>53 538</b>	<b>50 068</b>	<b>48 773</b>	<b>53 671</b>

## **Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R153.5 million in 2016/17 and increases to R170.1 million by 2018/19.
2. Revenue to be generated from property rates is R20.9 million in the 2016/17 financial year which represents 13.6% of the operating revenue base of the Municipality and R23.5 million by 2018/19.
3. Services charges relating to refuse removal constitutes 1.1% or R1.7 million of the operating revenue budget for the 2016/17 financial year and increasing to R1.9 million by 2018/19.
4. The drivers testing centre is expected to be functional in 2016/17 financial year. Licence and permits are, therefore, expected to generate R0.715 million in 2016/17 and increasing to R0.804 million in 2018/19.
5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are slowly decreasing over the MTREF by 3.4% in 2016/17 and increases to R131.2 and R137.7 million in two outer years respectively.

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6. Employee related cost is the main cost-driver within the municipality. Salaries and wages have increased significantly over the 2016/17 to 2018/19 period escalating from R65.7 million to R74.0 million.
7. General expenses have increased from R39.0 million in 2016/17 to R43.8 in 2018/19.

**Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

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**KZN265 Nongoma - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure, to be appropriated</b>	2										
Vote 4 - Sport, Recreation and Community Services		–	–	280	–	–	–	–	–	–	–
Vote 5 - Economic and Environmental Services		55 418	51 945	35 176	42 631	42 631	42 631	42 631	47 117	44 567	49 276
<b>Capital multi-year expenditure sub-total</b>	7	<b>55 418</b>	<b>51 945</b>	<b>35 456</b>	<b>42 631</b>	<b>42 631</b>	<b>42 631</b>	<b>42 631</b>	<b>47 117</b>	<b>44 567</b>	<b>49 276</b>
<b>Single-year expenditure, to be appropriated</b>	2										
Vote 1 - Governance and Administration		647	130	696	160	230	230	230	76	–	–
Vote 2 - Financial Services		123	227	104	42	324	324	324	72	–	–
Vote 3 - Corporate Services		3 325	152	245	50	100	100	100	1 337	–	500
Vote 4 - Sport, Recreation and Community Services		2 722	109	163	368	718	718	718	2 955	3 200	1 000
Vote 5 - Economic and Environmental Services		1 517	74	863	3 772	14 061	14 061	659	620	–	–
Vote 6 - Transport and Roads		491	22	–	–	–	–	–	–	–	–
Vote 7 - Safety and Security		–	–	–	300	300	300	300	300	–	–
Vote 8 - Solid Waste Management		502	–	–	550	3 550	3 550	3 550	1 690	1 900	–
<b>Capital single-year expenditure sub-total</b>		<b>9 326</b>	<b>714</b>	<b>2 072</b>	<b>5 242</b>	<b>19 283</b>	<b>19 283</b>	<b>5 881</b>	<b>7 050</b>	<b>5 100</b>	<b>1 500</b>
<b>Total Capital Expenditure - Vote</b>		<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>48 512</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>4 094</b>	<b>593</b>	<b>1 040</b>	<b>252</b>	<b>654</b>	<b>654</b>	<b>654</b>	<b>1 485</b>	<b>–</b>	<b>500</b>
Executive and council		647	139	696	160	230	230	230	76		
Budget and treasury office		123	302	104	42	324	324	324	72		
Corporate services		3 325	152	240	50	100	100	100	1 337		500
<b>Community and public safety</b>		<b>3 194</b>	<b>110</b>	<b>420</b>	<b>668</b>	<b>1 018</b>	<b>1 018</b>	<b>1 018</b>	<b>3 255</b>	<b>3 200</b>	<b>1 000</b>
Community and social services		3 194	110	420	368	718	718	718	2 955	3 200	1 000
Public safety		–	–	–	300	300	300	300	300		
<b>Economic and environmental services</b>		<b>56 954</b>	<b>51 945</b>	<b>36 068</b>	<b>46 403</b>	<b>56 692</b>	<b>56 692</b>	<b>56 692</b>	<b>47 737</b>	<b>44 567</b>	<b>49 276</b>
Planning and development		55 418	51 945	30 829	46 403	56 692	56 692	56 692	47 737	44 567	49 276
Road transport		1 536	–	5 239	–	–	–	–	–	–	–
<b>Trading services</b>		<b>502</b>	<b>12</b>	<b>–</b>	<b>550</b>	<b>3 550</b>	<b>3 550</b>	<b>3 550</b>	<b>1 690</b>	<b>1 900</b>	<b>–</b>
Waste management		502	12	–	550	3 550	3 550	3 550	1 690	1 900	–
<b>Total Capital Expenditure - Standard</b>	3	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>
<b>Funded by:</b>											
National Government		55 418	51 946	35 810	42 381	42 381	42 381	42 381	44 417	44 567	49 276
Provincial Government		–	–	400	–	–	–	–	–	–	–
<b>Transfers recognised - capital</b>	4	<b>55 418</b>	<b>51 946</b>	<b>36 210</b>	<b>42 381</b>	<b>42 381</b>	<b>42 381</b>	<b>42 381</b>	<b>44 417</b>	<b>44 567</b>	<b>49 276</b>
<b>Borrowing</b>	6										
Internally generated funds		9 326	714	1 318	5 492	19 533	19 533	19 533	3 800	5 100	1 500
<b>Total Capital Funding</b>	7	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>

## **Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17 R47.1 million has been

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allocated of the total R54.1 million capital budget, which totals 87.1%. This allocation decreases to R44.5 million in 2017/18 and then increases again to R49.2 million in 2018/19 owing primarily to the fact that new projects will be commenced during the next two financial years.

3. Single-year capital expenditure has been appropriated at R7.0 million for the 2016/17 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment.
5. The capital programme is funded from national capital grants, borrowings and internally generated funds from current year surpluses. For 2016/17, capital transfers totals R44.4 million and slightly increase to R44.5 million by 2017/18 and further increase to R49.2 in 2018/19.
6. Borrowings are anticipated to be R5.9 million in 2016/17 and no further loans funding anticipated for outer years.
7. Internally generated funding amount to R3.8 million, R5.1 million and R1.5 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).



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**Table 14 MBRR Table A6 -Budgeted Financial Position**

KZN265 Nongoma - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		134	960	15 678	17 195	8 437	8 437	8 437	11 853	13 474	19 123
Call investment deposits	1	651	(7)	37	3 205	2 202	2 202	2 202	3 923	5 750	7 685
Consumer debtors	1	10 359	11 763	15 299	13 738	19 522	19 522	19 522	24 177	29 119	34 365
Other debtors		2 030	405	914	518	951	951	951	814	715	608
<b>Total current assets</b>		<b>13 174</b>	<b>13 122</b>	<b>31 927</b>	<b>34 655</b>	<b>31 111</b>	<b>31 111</b>	<b>31 111</b>	<b>40 766</b>	<b>49 059</b>	<b>61 780</b>
<b>Non current assets</b>											
Property, plant and equipment	3	207 149	230 063	255 167	300 958	303 842	303 842	303 842	347 946	386 893	426 176
Intangible		398	265	177	114	473	473	473	385	198	11
<b>Total non current assets</b>		<b>207 547</b>	<b>230 328</b>	<b>255 344</b>	<b>301 072</b>	<b>304 315</b>	<b>304 315</b>	<b>304 315</b>	<b>348 332</b>	<b>387 091</b>	<b>426 187</b>
<b>TOTAL ASSETS</b>		<b>220 721</b>	<b>243 450</b>	<b>287 271</b>	<b>335 727</b>	<b>335 426</b>	<b>335 426</b>	<b>335 426</b>	<b>389 098</b>	<b>436 150</b>	<b>487 967</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Borrowing	4	272	2 700	173	52	27	27	27	2 134	2 035	1 927
Consumer deposits				96					-	-	-
Trade and other payables	4	24 258	17 981	17 046	17 860	15 576	15 576	15 576	15 127	15 164	15 164
Provisions					1 346	108	108	108	108	108	108
<b>Total current liabilities</b>		<b>24 530</b>	<b>20 681</b>	<b>17 315</b>	<b>19 258</b>	<b>15 711</b>	<b>15 711</b>	<b>15 711</b>	<b>17 368</b>	<b>17 307</b>	<b>17 199</b>
<b>Non current liabilities</b>											
Borrowing		674	2 887	1 865	-	-	-	-	3 013	1 539	66
Provisions		4 469	3 204	5 845	4 268	7 576	7 576	7 576	7 566	7 566	7 566
<b>Total non current liabilities</b>		<b>5 143</b>	<b>6 090</b>	<b>7 710</b>	<b>4 268</b>	<b>7 576</b>	<b>7 576</b>	<b>7 576</b>	<b>10 578</b>	<b>9 105</b>	<b>7 631</b>
<b>TOTAL LIABILITIES</b>		<b>29 673</b>	<b>26 771</b>	<b>25 025</b>	<b>23 525</b>	<b>23 287</b>	<b>23 287</b>	<b>23 287</b>	<b>27 947</b>	<b>26 411</b>	<b>24 830</b>
<b>NET ASSETS</b>	5	<b>191 048</b>	<b>216 679</b>	<b>262 247</b>	<b>312 201</b>	<b>312 139</b>	<b>312 139</b>	<b>312 139</b>	<b>361 151</b>	<b>409 738</b>	<b>463 137</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		191 048	216 679	262 247	312 201	312 139	312 139	312 139	361 151	409 738	463 137
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>191 048</b>	<b>216 679</b>	<b>262 247</b>	<b>312 201</b>	<b>312 139</b>	<b>312 139</b>	<b>312 139</b>	<b>361 151</b>	<b>409 738</b>	<b>463 137</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

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3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

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**Table15 MBRR Table A7 - Budgeted Cash Flow Statement**

**KZN265 Nongoma - Table A7 Budgeted Cash Flows**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		6 080	16 564	14 729	14 472	16 803	16 803	16 803	16 624	17 622	18 679
Service charges					1 259	1 259	1 259	1 259	895	950	1 006
Other revenue				5 653	1 403	1 383	1 383	1 383	1 281	1 361	1 441
Government - operating	1	75 393	85 942	101 320	129 124	129 124	129 124	129 124	124 761	131 270	137 796
Government - capital	1	71 787	58 130	42 891	42 891	42 891	42 891	42 891	44 417	44 567	49 276
Interest		535	476	1 138	1 244	1 614	1 614	1 614	1 720	1 827	1 935
<b>Payments</b>											
Suppliers and employees		(81 640)	(110 210)	(110 853)	(126 864)	(135 842)	(135 842)	(135 842)	(135 289)	(144 265)	(151 641)
Finance charges		(381)	(368)	(257)	(19)	(23)	(23)	(23)	(482)	(391)	(292)
Transfers and Grants	1	-	-		(207)	-	-	-	(217)	(167)	(177)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>71 774</b>	<b>50 534</b>	<b>54 621</b>	<b>63 302</b>	<b>57 208</b>	<b>57 208</b>	<b>57 208</b>	<b>53 711</b>	<b>52 774</b>	<b>58 023</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	322	1 816	1 810
<b>Payments</b>											
Capital assets		(64 744)	(53 006)	(36 683)	(47 873)	(61 914)	(61 914)	(61 914)	(54 167)	(49 667)	(50 776)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(64 744)</b>	<b>(53 006)</b>	<b>(36 683)</b>	<b>(47 873)</b>	<b>(61 914)</b>	<b>(61 914)</b>	<b>(61 914)</b>	<b>(53 845)</b>	<b>(47 851)</b>	<b>(48 966)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	2 700	-					-	-	-
Borrowing long term/refinancing		(777)	-	(240)					5 950	-	-
Increase (decrease) in consumer deposits		-	-	(2 700)					-	-	-
<b>Payments</b>											
Repayment of borrowing		(220)	(53)	(281)	(326)	(333)	(333)	(333)	(1 524)	(1 473)	(1 473)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(997)</b>	<b>2 647</b>	<b>(3 221)</b>	<b>(326)</b>	<b>(333)</b>	<b>(333)</b>	<b>(333)</b>	<b>4 426</b>	<b>(1 473)</b>	<b>(1 473)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>6 034</b>	<b>175</b>	<b>14 718</b>	<b>15 103</b>	<b>(5 039)</b>	<b>(5 039)</b>	<b>(5 039)</b>	<b>4 292</b>	<b>3 449</b>	<b>7 583</b>
Cash/cash equivalents at the year begin:	2	(5 248)	785	960	5 296	15 678	15 678	15 678	11 483	15 775	19 224
Cash/cash equivalents at the year end:	2	785	960	15 678	20 399	10 639	10 639	10 639	15 775	19 224	26 807

The above table shows that cash and cash equivalents of the Municipality reflect a steady positive growth from 2016/17 to 2018/19. For the 2016/17 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to amount R15.7 million by 2016/17 and rapidly increasing to R26.8 by 2018/19.

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

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### The Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 58 and 59 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- ✚ What are the predicted cash and investments that are available at the end of the budget year?
- ✚ How are those funds used?
- ✚ What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

KZN265 Nongoma - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	785	960	15 678	20 399	10 639	10 639	10 639	15 775	19 224	26 807
Other current investments > 90 days		(0)	(7)	37	0	0	0	0	-	(0)	-
<b>Cash and investments available:</b>		<b>785</b>	<b>953</b>	<b>15 714</b>	<b>20 399</b>	<b>10 639</b>	<b>10 639</b>	<b>10 639</b>	<b>15 775</b>	<b>19 224</b>	<b>26 807</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		1 080	(3 724)	300	-	-	-	-	-	-	-
Other working capital requirements	3	16 907	10 021	211	6 966	(43)	(311)	(311)	(2 231)	(5 558)	(9 127)
<b>Total Application of cash and investments:</b>		<b>17 987</b>	<b>6 297</b>	<b>511</b>	<b>6 966</b>	<b>(43)</b>	<b>(311)</b>	<b>(311)</b>	<b>(2 231)</b>	<b>(5 558)</b>	<b>(9 127)</b>
<b>Surplus(shortfall)</b>		<b>(17 201)</b>	<b>(5 343)</b>	<b>15 204</b>	<b>13 433</b>	<b>10 682</b>	<b>10 950</b>	<b>10 950</b>	<b>18 006</b>	<b>24 782</b>	<b>35 935</b>

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.
5. The budget for the MTREF 2016/17 to 2018/19 with a positive surplus of R18.0, R24.7 and R35.9 million is appropriately funded.

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**Table 17 MBRR Table A9 - Asset Management**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<u><b>Total New Assets</b></u>	1	64 744	52 659	37 528	47 873	61 914	61 914	54 167	49 667	50 776
Infrastructure - Road transport		42 918	44 423	30 068	30 381	40 181	40 181	32 617	34 567	38 276
Infrastructure - Electricity		12 500	7 523	6 000	12 000	12 000	12 000	14 000	12 000	12 000
Infrastructure		55 418	51 945	36 068	42 381	52 181	52 181	46 617	46 567	50 276
Community		–	–	–	–	900	900	200	–	–
Other assets	6	9 326	714	1 460	5 492	8 833	8 833	7 350	3 100	500
<u><b>Total Capital Expenditure</b></u>	4									
Infrastructure - Road transport		42 918	44 423	30 068	30 381	40 181	40 181	32 617	34 567	38 276
Infrastructure - Electricity		12 500	7 523	6 000	12 000	12 000	12 000	14 000	12 000	12 000
Infrastructure		55 418	51 945	36 068	42 381	52 181	52 181	46 617	46 567	50 276
Community		–	–	–	–	900	900	200	–	–
Other assets		9 326	714	1 460	5 492	8 833	8 833	7 350	3 100	500
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport		43 167	54 245	75 869	109 932	111 943	111 943	142 360	174 927	209 203
Infrastructure - Electricity		–	–	6 000	18 000	18 000	18 000	32 000	44 000	59 000
Infrastructure - Other		–	–	–	–	450	450	450	450	450
Infrastructure		43 167	54 245	81 869	127 932	130 393	130 393	174 810	219 377	268 653
Community		12 500	22 604	31 259	32 471	32 471	32 471	31 259	31 259	31 259
Other assets		151 482	152 850	142 040	140 555	140 978	140 978	141 877	136 257	126 264
Intangibles		398	265	177	114	473	473	385	198	11
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	<b>207 547</b>	<b>229 964</b>	<b>255 344</b>	<b>301 072</b>	<b>304 315</b>	<b>304 315</b>	<b>348 332</b>	<b>387 091</b>	<b>426 187</b>
<b>EXPENDITURE OTHER ITEMS</b>										
<u><b>Depreciation &amp; asset impairment</b></u>		9 952	17 624	9 723	18 330	12 943	12 943	10 151	10 908	11 680
<u><b>Repairs and Maintenance by Asset Class</b></u>	3	2 548	4 506	–	7 192	6 552	6 552	7 260	7 706	8 161
Infrastructure - Road transport		1 019	3 151	–	4 398	4 398	4 398	4 398	4 671	4 947
Infrastructure		1 019	3 151	–	4 398	4 398	4 398	4 398	4 671	4 947
Other assets	6, 7	1 529	1 355	–	2 794	2 154	2 154	2 862	3 035	3 214
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		<b>12 500</b>	<b>22 130</b>	<b>9 723</b>	<b>25 522</b>	<b>19 495</b>	<b>19 495</b>	<b>17 410</b>	<b>18 614</b>	<b>19 841</b>
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>R&amp;M as a % of PPE</b>		1.2%	2.0%	0.0%	2.4%	2.2%	2.2%	2.1%	2.0%	1.9%
<b>Renewal and R&amp;M as a % of PPE</b>		1.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and electricity projects capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current

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MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

**Table 18 MBRR Table A10 - Basic Service Delivery Measurement**

**KZN265 Nongoma - Table A10 Basic service delivery measurement**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Household service targets</b>	1									
<u><b>Water:</b></u>										
Piped water inside dwelling		1 012	1 012	–	1 100	1 100	1 100	1 100	1 100	1 100
Piped water inside yard (but not in dwelling)		2 257	2 257	–	2 456	2 456	2 456	2 456	2 456	2 456
Using public tap (at least min.service level)	2	4 864	4 864	–	5 280	5 280	5 280	5 280	5 280	5 280
Other water supply (at least min.service level)	4	30 777	30 777	–	33 315	33 315	33 315	33 315	33 315	33 315
<i>Minimum Service Level and Above sub-total</i>		38 910	38 910	–	42 151	42 151	42 151	42 151	42 151	42 151
<b>Total number of households</b>	5	<b>38 910</b>	<b>38 910</b>	–	<b>42 151</b>	<b>42 151</b>	<b>42 151</b>	<b>42 151</b>	<b>42 151</b>	<b>42 151</b>
<u><b>Sanitation/sewerage:</b></u>										
Flush toilet (connected to sewerage)		467	467	–	542	542	542	542	542	542
Flush toilet (with septic tank)		195	195	–	227	227	227	227	227	227
Chemical toilet		9 922	9 922	–	11 056	11 056	11 056	11 056	11 056	11 056
Pit toilet (ventilated)		8 599	8 599	–	9 582	9 582	9 582	9 582	9 582	9 582
<i>Minimum Service Level and Above sub-total</i>		19 183	19 183	–	21 407	21 407	21 407	21 407	21 407	21 407
Bucket toilet		133	133	–	135	135	135	135	135	135
No toilet provisions		19 728	19 728	–	21 353	21 353	21 353	21 353	21 353	21 353
<i>Below Minimum Service Level sub-total</i>		19 861	19 861	–	21 488	21 488	21 488	21 488	21 488	21 488
<b>Total number of households</b>	5	<b>39 044</b>	<b>39 044</b>	–	<b>42 895</b>	<b>42 895</b>	<b>42 895</b>	<b>42 895</b>	<b>42 895</b>	<b>42 895</b>
<u><b>Energy:</b></u>										
Electricity (at least min.service level)		8 452	8 452	–	9 148	9 148	9 148	9 148	9 148	9 148
Electricity - prepaid (min.service level)		8 591	8 591	–	9 298	9 298	9 298	9 298	9 298	9 298
<i>Minimum Service Level and Above sub-total</i>		17 043	17 043	–	18 446	18 446	18 446	18 446	18 446	18 446
<b>Total number of households</b>	5	<b>17 043</b>	<b>17 043</b>	–	<b>18 446</b>	<b>18 446</b>	<b>18 446</b>	<b>18 446</b>	<b>18 446</b>	<b>18 446</b>
<u><b>Refuse:</b></u>										
Removed less frequently than once a week		310	310	–	340	340	340	340	340	340
Using own refuse dump		34 825	34 825	–	36 956	36 956	36 956	36 956	36 956	36 956
Other rubbish disposal		3 113	3 113	–	3 303	3 303	3 303	3 303	3 303	3 303
No rubbish disposal		351	351	–	372	372	372	372	372	372
<i>Below Minimum Service Level sub-total</i>		38 599	38 599	–	40 971	40 971	40 971	40 971	40 971	40 971
<b>Total number of households</b>	5	<b>38 599</b>	<b>38 599</b>	–	<b>40 971</b>	<b>40 971</b>	<b>40 971</b>	<b>40 971</b>	<b>40 971</b>	<b>40 971</b>
<u><b>Households receiving Free Basic Service</b></u>	7									
Electricity/other energy (50kwh per household per month)		130 401	130 401	138 725	147 580	147 580	147 580	157 000	167 000	177 000
<u><b>Highest level of free service provided per household</b></u>										
Property rates (R value threshold)		13 954 228	14 844 924	15 792 473	19 753 539	19 753 539	19 753 539	20 938 751	22 195 076	23 526 781
Refuse (average litres per week)		1 394 433	148 344	1 578 128	1 678 860	1 678 860	1 678 860	1 789 665	1 900 624	2 012 761
<u><b>Revenue cost of subsidised services provided (R'000)</b></u>	9									
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		–	–	3 213	3 406	392	392	392	416	441
<b>Total revenue cost of subsidised services provided</b>		<b>–</b>	<b>–</b>	<b>3 213</b>	<b>3 406</b>	<b>392</b>	<b>392</b>	<b>392</b>	<b>416</b>	<b>441</b>

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma.
  - **Electricity**

ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.
  - **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.
3. It is anticipated that these Free Basic Services will cost the municipality R147 410 in 2015/16, increasing to R164 849 in 2017/18. The reason for the low figures is that the indigent register is incomplete and the picture might change when the community concerned come forward to register for free basic services. The provision of free basic electricity is covered by the municipality's equitable share allocation from national government.



## **Part 2 – Supporting Documentation**

### **2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

#### **2.1.1 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 15) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during August 2015 as required by the MFMA. The Key dates applicable to the process were:

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- ✚ **21 January 2016** - Council considers the 2015/16 Mid-year Review and Adjustments Budget necessity. However, the revised budget was tabled to council together with Mid-year review report.
- ✚ **12 February 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- ✚ **19 February 2016** – Commencing the departmental budget consolidation process and the budget and treasury office commence preparation of draft budget for the 2016/17 financial period.
- ✚ **30 March 2016** - Tabling in Council of the draft 2016/17 IDP and 2016/17 MTREF for public consultation;
- ✚ **April 2016** – Public consultation commences
- ✚ **29 April 2016** - Closing date for written comments;
- ✚ **2 to 13 May 2016** – finalization of the 2016/17 IDP and 2016/17 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- ✚ **26 May 2016** - Tabling of the 2016/17 MTREF before Council for consideration and approval.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- ✚ Registration of community needs;
- ✚ Compilation of departmental business plans including key performance indicators and targets;
- ✚ Financial planning and budgeting process;
- ✚ Public participation process;

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- ✚ Compilation of the SDBIP, and
- ✚ The review of the performance management and monitoring processes.

### **2.1.3 Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2016/17 MTRE, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- ✚ Municipality growth
- ✚ Policy priorities and strategic objectives
- ✚ Asset maintenance
- ✚ Economic climate and trends
- ✚ Performance trends
- ✚ The approved 2015/16 adjustments budget and performance against the SDBIP
- ✚ Cash Flow Management Strategy
- ✚ Debtor payment levels
- ✚ Loan and investment possibilities
- ✚ The need for tariff increases versus the ability of the community to pay for services;
- ✚ Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 and 79 – budget circulars - has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The 2016/17 draft budget and MTREF after being tabled before Council for approval on 30 March 2016 will be made available at municipal offices and municipal library for public comments. In addition to that, consultation process will include invitation of the community to the IDP/Budget Road shows as planned. The road shows will be held at different places within Nongoma municipal area of jurisdiction to be identified by council.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant consider as part of the finalisation of the 2016/17 MTREF.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

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It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- ✚ Green Paper on National Strategic Planning of 2009;
- ✚ Government Programme of Action;
- ✚ Development Facilitation Act of 1995;
- ✚ Provincial Growth and Development Strategy (GGDS);
- ✚ National and Provincial spatial development perspectives;
- ✚ Relevant sector plans such as transportation, legislation and policy;
- ✚ National Key Performance Indicators (NKPIs);
- ✚ Accelerated and Shared Growth Initiative (ASGISA);
- ✚ National 2016 Vision;
- ✚ National Spatial Development Perspective (NSDP) and
- ✚ The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015. Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities.

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The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget:

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**Table 22 IDP Strategic Objectives**

<b>2016/17 MTREF</b>	
1.	Provision of quality basic services and infrastructure
2.	Economic growth and development that leads to sustainable job creation
3.1	Fight poverty and build clean, healthy, safe and sustainable communities
3.2	Integrated Social Services for empowered and sustainable communities
4.	Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1	Promote sound governance
5.2	Ensure financial sustainability
5.3	Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity (through Eskom)
  - Provide water (through District Municipality)
  - Provide sanitation (through District Municipality)
  - Provide solid waste removal
  - Provide housing (through Department of Human Settlements)
  - Provide roads and storm water
  - Provide municipality planning services; and
  - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;

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- Extending waste removal services and ensuring effective municipality cleansing;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance and communication through:

- Publishing the outcomes of all tender processes and other information on the municipal website.

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.



This 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 23MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

KZN265 Nongoma - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

KZN200 Nongoma - Supporting Table 5.4: Reconciliation of B: Strategic Objectives and Budget (Revenue)													
Strategic Objective  R thousand	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			46 276	48 395	50 028	147 392	150 828	150 828	150 943	142 417	151 370	
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			62 234	58 200	59 200	44 646	44 646	44 646	41 731	58 118	61 605	
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.												
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.			6 383	8 100		2 865	2 865	2 865	4 236	4 527	4 926	
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			44 835	47 104	56 107	777	777	777	1 056	1 303	1 524	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	159 727	161 799	165 335	195 680	199 116	199 116	197 966	206 363	219 424

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**Table 24MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

KZN265 Nongoma - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>												
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			28 760	50 032	50 400	52 917	52 917	52 917	56 092	59 458	63 025
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			38 993	17 624	16 000	8 502	8 502	8 502	8 672	9 192	9 744
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			9 587	12 845	13 569	25 942	25 942	25 942	27 498	29 148	30 897
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively. the environmental requirements; and ensuring the protection services and disaster management are operating effectively.			4 793	9 113	10 976	37 228	37 228	37 228	39 462	41 829	44 339
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			14 380	32 928	28 846	18 178	20 989	20 989	16 175	17 962	17 748
<b>Allocations to other priorities</b>												
<b>Total Expenditure</b>			1	<b>96 514</b>	<b>122 542</b>	<b>119 791</b>	<b>142 767</b>	<b>145 578</b>	<b>145 578</b>	<b>147 899</b>	<b>157 589</b>	<b>165 753</b>

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**Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

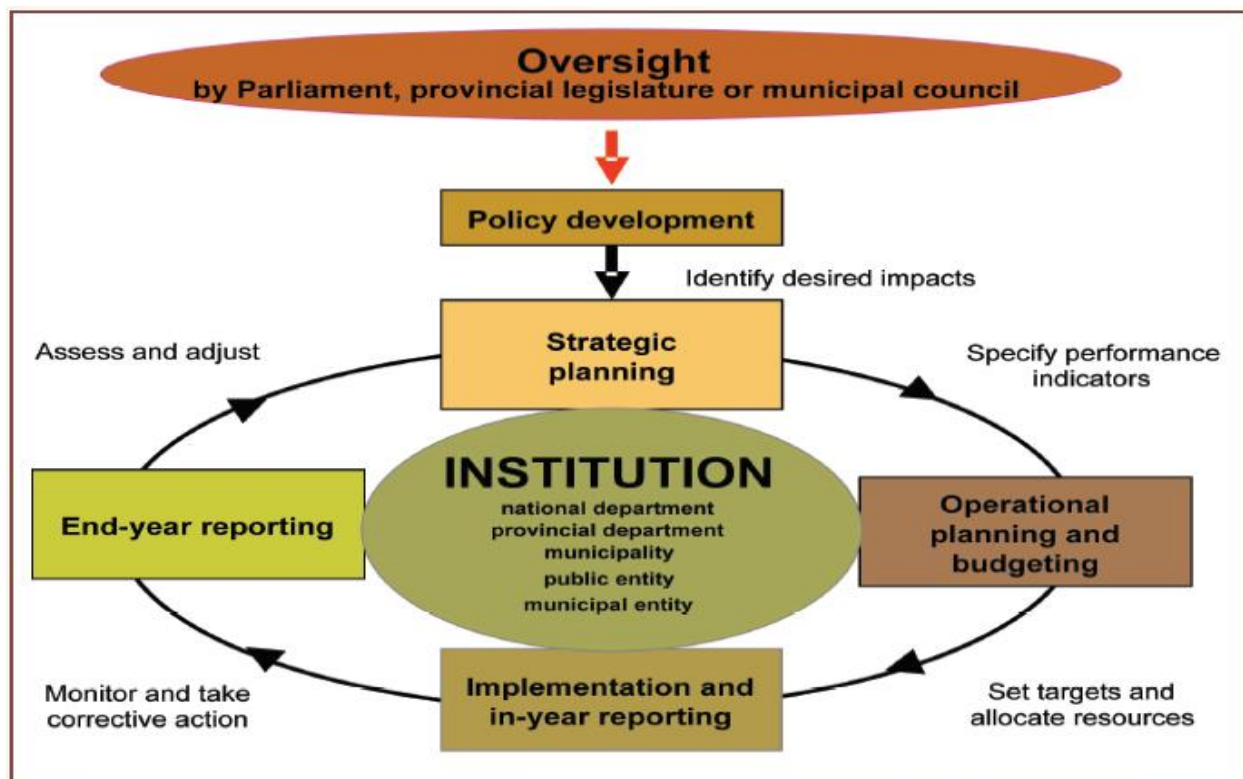
**KZN265 Nongoma - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)**

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>												
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	<i>Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.</i>	<b>A</b>		19 423	22 014	23 334	37 803	37 803	37 803	39 315	41 281	43 345
Provide quality basic services and infrastructure.	<i>Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.</i>	<b>B</b>		25 898	18 266	6 307	2 368	2 368	2 368	3 789	4 017	4 258
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	<i>Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.</i>	<b>C</b>		6 474	5 235	314	2 450	2 450	2 450	2 597	2 753	2 828
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	<i>Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.</i>	<b>D</b>		3 237	2 249	2 384	252	252	252	267	283	300
Economic growth and development that leads to sustainable job creation.	<i>Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.</i>	<b>E</b>		9 712	4 895	5 189	5 000	19 041	19 041	8 198	1 334	45
<b>Allocations to other priorities</b>			<b>3</b>									
<b>Total Capital Expenditure</b>			<b>1</b>	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 1**Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

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- ✚ Planning (setting goals, objectives, targets and benchmarks);
- ✚ Monitoring (regular monitoring and checking on the progress against plan);
- ✚ Measurement (indicators of success);
- ✚ Review (identifying areas requiring change and improvement);
- ✚ Reporting (what information, to whom, from whom, how often and for what purpose); and
- ✚ Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

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**Table 27MBRR Table SA8 - Performance indicators and benchmarks**

KZN265 Nongoma - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator		2012/13		2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
<b><u>Borrowing Management</u></b>										
Credit Rating		1.2	2.1	2	3	3				
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.6%	0.3%	0.4%	0.2%	0.2%	1.4%	1.2%	1.1%	
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.8%	2.4%	2.4%	1.5%	1.3%	7.0%	6.1%	5.5%	
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	-8.3%	378.6%	-18.2%	0.0%	0.0%	61.0%	0.0%	0.0%	
<b><u>Safety of Capital</u></b>										
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b><u>Liquidity</u></b>										
Current Ratio	Current assets/current liabilities	0.5	0.6	1.8	1.8	2.0	2.3	2.8	3.6	
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.5	0.6	1.8	1.8	2.0	2.3	2.8	3.6	
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	0.9	1.1	0.7	0.9	1.1	1.6	
<b><u>Revenue Management</u></b>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		66.0%	119.7%	84.4%	75.0%	75.0%	69.9%	75.3%	
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		66.0%	119.7%	84.4%	75.0%	75.0%	68.6%	68.6%	68.6%	
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	14.1%	11.7%	13.1%	9.3%	13.1%	16.3%	18.4%	20.6%	
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	4.1%	5.2%	4.0%	20.0%	20.0%	30.0%	30.0%	30.0%	
<b><u>Creditors Management</u></b>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within'MFMA' s 65(e))	89.0%	91.0%	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Creditors to Cash and Investments		2951.6%	2261.1%	106.8%	87.6%	146.4%	95.9%	78.9%	56.6%	
Employee costs	Employee costs/(Total Revenue - capital revenue)	48.3%	48.3%	40.1%	37.1%	40.5%	42.8%	43.7%	43.5%	
Remuneration	Total remuneration/(Total Revenue - capital revenue)	57.8%	57.8%	50.2%	44.9%	48.2%	51.1%	52.0%	51.9%	
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.9%	4.3%	0.0%	4.7%	4.2%	4.7%	4.8%	4.8%	
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.7%	17.4%	8.1%	12.0%	8.3%	6.9%	7.0%	7.0%	
<b><u>IDP regulation financial viability indicators</u></b>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	23.7	12.5	14.1	12.2	12.2	8.7	9.0	9.5	
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	132.3%	87.2%	92.3%	67.4%	84.7%	97.4%	109.7%	121.3%	
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.1	0.1	2.1	2.4	1.2	1.7	1.9	2.6	

## **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy
- Virement Policy

## **2.5 Overview of budget assumptions**

### **2.5.1 External factors**

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are four key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- ✚ National Government macro economic targets;
- ✚ The general inflationary outlook and the impact on Municipality's residents and businesses;
- ✚ The impact of municipal cost drivers; and
- ✚ The increase in the cost of remuneration. Employee related costs comprise 44.5% of total operating expenditure in the 2016/17 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement between SALGBC and the municipal workers unions was concluded

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effective from 1 July 2015 up until 30 June 2018. In terms of current wage agreement, the municipality has factored in 6.4% for 2016/17, 7.6% and 7.2% for two outer years respectively.

### **2.5.3 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. In the 2016/17 MTREF it has been assumed that all borrowings are undertaken using fixed prime interest rates for amortisation-style loans requiring both regular principal and interest payments.

### **2.5.4 Collection rate for revenue services**

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 79. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the performance has been carefully monitored. The 70 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

### **2.5.5 Growth or decline in tax base of the municipality**

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from



household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

#### **2.5.6 Salary increases**

The wage bill over the MTREF has been increased at a rate of 6.4 per cent, 7.6 per cent and 7.2 per cent in the two outer years of the MTREF as guided by MFMA circular 79.





#### **2.5.7 Remuneration of Councillors**

It has been assumed that the number of Councillors will remain 42 in 2016/17. And that the Speaker, Mayor, Deputy Mayor and MPACC chairperson will be remunerated at upper limits applicable to full-time councillors.

The remuneration of Councillors has been budgeted for based at the upper limits equivalent to 100% of remuneration packages for a Grade 3 municipality gazetted by the Minister of Cooperative Governance and Traditional Affairs (Cogta) in December 2015.

#### **2.5.8 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

-  Creating jobs;
-  Enhancing education and skill development;
-  Rural development and agriculture; and
-  Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

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### **2.5.9 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 100% on the capital programme for the 2016/17 MTREF of which performance has been factored into the cash flow budget.

### **2.5.10 Medium-term outlook: capital revenue**

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

**Table 28 Sources of capital revenue over the MTREF**

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funded by:</b>									
National Government		55 418	51 946	35 810	42 381	42 381	44 417	44 567	49 276
Provincial Government		–	–	400	–	–	–	–	–
Transfers recognised - capital	4	55 418	51 946	36 210	42 381	42 381	44 417	44 567	49 276
Borrowing	6	–	–	–	–	–	5 950	–	–
Internally generated funds		9 326	714	1 318	5 492	19 533	3 800	5 100	1 500
<b>Total Capital Funding</b>	<b>7</b>	<b>64 744</b>	<b>52 659</b>	<b>37 528</b>	<b>47 873</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>

Capital grants and receipts equates to 82.1% of the total funding source which represents R44.4 million for the 2016/17 financial year. Borrowings equates to 10.9% or R5.9 million whilst own funds equate to only 7.0% in 2016/17 financial period.

**Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 29 MBRR SA10 – Funding compliance measurement**

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KZN265 Nongoma Supporting Table SA10 Funding measurement

KZN205 Nonongo Supporting Table C&D Funding Measurement												
Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	785	960	15 678	20 399	10 639	10 639	10 639	15 775	19 224	26 807
Cash + investments at the yr end less applications - R'000	18(1)b	2	(17 201)	(5 343)	14 368	13 433	10 682	10 950	10 950	18 006	24 782	35 935
Cash year end/monthly employee/supplier payments	18(1)b	3	0.1	0.1	2.1	2.4	1.2	1.2	1.2	1.7	1.9	2.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	63 213	39 257	46 607	52 913	53 538	53 538	53 538	50 068	48 773	53 671
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	44.2%	20.1%	14.2%	8.8%	(6.0%)	(6.0%)	0.0%	0.0%	(0.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	50.6%	96.0%	96.8%	76.4%	76.3%	76.3%	76.3%	69.5%	69.5%	69.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	10.9%	19.0%	9.2%	8.7%	7.6%	7.6%	7.6%	6.9%	6.9%	6.8%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.7%	97.7%	100.0%	100.0%	100.0%	127.6%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	(8.3%)	0.0%	(18.2%)	0.0%	0.0%	0.0%	0.0%	61.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.2%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(1.8%)	33.2%	(12.1%)	43.6%	0.0%	0.0%	22.1%	19.4%	17.2%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.2%	2.0%	0.0%	2.4%	2.2%	2.2%	2.4%	2.1%	2.0%	1.9%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Supporting indicators</b>												
% incr total service charges (incl prop rates)	18(1)a			50.2%	26.1%	20.2%	14.8%	0.0%	0.0%	6.0%	6.0%	6.0%
% incr Property Tax	18(1)a			61.1%	28.2%	22.2%	16.1%	0.0%	0.0%	6.0%	6.0%	6.0%
% incr Service charges - electricity revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a			(3.3%)	9.2%	1.5%	0.0%	0.0%	0.0%	6.6%	6.2%	5.9%
% incr in Service charges - other	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		9 213	13 835	17 447	20 975	24 084	24 084	24 084	25 539	27 075	28 697
Service charges			9 213	13 835	17 447	20 975	24 084	24 084	24 084	25 539	27 075	28 697
Property rates			7 646	12 320	15 792	19 296	22 405	22 405	22 405	23 749	25 174	26 684
Service charges - refuse removal			1 568	1 515	1 654	1 679	1 679	1 679	1 679	1 790	1 901	2 013
Rental of facilities and equipment			149	117	121	172	84	84	84	122	130	138
Capital expenditure excluding capital grant funding			9 326	713	1 318	5 492	19 533	19 533	6 131	9 750	5 100	1 500
Cash receipts from ratepayers	18(1)a		6 080	16 564	20 382	17 134	19 445	19 445	19 445	18 801	19 933	21 127
Ratepayer & Other revenue	18(1)a		12 012	17 251	21 049	22 421	25 487	25 487	25 487	27 068	28 699	30 417
Change in consumer debtors (current and non-current)			455	(220)	4 044	(1 957)	4 259	4 259	4 259	10 735	4 844	5 138
Operating and Capital Grant Revenue	18(1)a		147 180	144 072	144 211	172 015	172 015	172 015	172 015	169 178	175 837	187 072
Capital expenditure - total	20(1)(vi)		64 744	52 659	37 528	47 873	61 914	61 914	48 512	54 167	49 667	50 776
<b>Supporting benchmarks</b>												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY										123 973	130 449	136 936
DoRA capital grants total MFY										44 147	44 567	49 276
Provincial operating grants										738	771	810
Provincial capital grants										-	-	-
District Municipality grants										50	50	50
Total gazetted/advised national, provincial and district grants										168 908	175 837	187 072
<b>DoRA operating</b>												
Equitable share										121 046	128 549	134 781
Finance management grant										1 825	1 900	2 155
Community library service (Cyber cadet)										179	188	197
Provincialisation of libraries										559	583	613
										123 609	131 220	137 746
<b>DoRA capital</b>												
Municipal Infrastructure Grant										30 417	32 567	34 276
Integrated National Electrification Programme										14 000	12 000	15 000
										44 417	44 567	49 276

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<b>Total Operating Revenue</b>			87 940	103 670	123 507	152 789	156 225	156 225	156 225	153 549	161 796	170 148
<b>Total Operating Expenditure</b>			96 514	122 542	119 791	142 767	145 578	145 578	145 578	147 898	157 590	165 753
<b>Operating Performance Surplus/(Deficit)</b>			(8 573)	(18 872)	3 716	10 022	10 647	10 647	10 647	5 651	4 206	4 395
<b>Cash and Cash Equivalents (30 June 2012)</b>										15 775		
<b>Revenue</b>												
% Increase in Total Operating Revenue				17.9%	19.1%	23.7%	2.2%	0.0%	0.0%	(1.7%)	5.4%	5.2%
% Increase in Property Rates Revenue				61.1%	28.2%	6.0%	18.0%	0.0%	0.0%	6.0%	6.0%	6.0%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				50.2%	26.1%	20.2%	14.8%	0.0%	0.0%	6.0%	6.0%	6.0%
<b>Expenditure</b>												
% Increase in Total Operating Expenditure				27.0%	(2.2%)	19.2%	2.0%	0.0%	0.0%	1.6%	6.6%	5.2%
% Increase in Employee Costs				17.7%	(0.9%)	14.4%	11.6%	0.0%	0.0%	4.0%	7.6%	4.6%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)					147077.8746	162408.9931				188410.2558		
Average Cost Per Councillor (Remuneration)					268497.7143	285613.2305				302750.0243		
R&M % of PPE			1.2%	2.0%	0.0%	2.4%	2.2%	2.2%		2.1%	2.0%	1.9%
Asset Renewal and R&M as a % of PPE			1.0%	2.0%	0.0%	2.0%	2.0%	2.0%		2.0%	2.0%	2.0%
Debt Impairment % of Total Billable Revenue			10.9%	19.0%	9.2%	8.7%	7.6%	7.6%	7.6%	6.9%	6.9%	6.8%
<b>Capital Revenue</b>												
Internally Funded & Other (R'000)			9 326	714	1 318	5 492	19 533	19 533	19 533	3 800	5 100	1 500
Borrowing (R'000)			-	-	-	-	-	-	-	5 950	-	-
Grant Funding and Other (R'000)			55 418	51 946	36 210	42 381	42 381	42 381	42 381	44 417	44 567	49 276
Internally Generated funds % of Non Grant Funding			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	39.0%	100.0%	100.0%
Borrowing % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	61.0%	0.0%	0.0%
Grant Funding % of Total Funding			85.6%	98.6%	96.5%	88.5%	68.5%	68.5%	68.5%	82.0%	89.7%	97.0%
<b>Capital Expenditure</b>												
Total Capital Programme (R'000)			64 744	52 659	37 528	47 873	61 914	61 914	61 914	54 167	49 667	50 776
Asset Renewal			-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Cash</b>												
Cash Receipts % of Rate Payer & Other			50.6%	96.0%	96.8%	76.4%	76.3%	76.3%	76.3%	69.5%	69.5%	69.5%
Cash Coverage Ratio			0	0	0	0	0	0	0	0	0	0
<b>Borrowing</b>												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.6%	0.3%	0.4%	0.2%	0.2%	0.2%	0.2%	1.4%	1.2%	1.1%
Borrowing Receipts % of Capital Expenditure			(8.3%)	0.0%	(18.2%)	0.0%	0.0%	0.0%	0.0%	61.0%	0.0%	0.0%
<b>Reserves</b>												
Surplus/(Deficit)			(17 201)	(5 343)	14 368	13 433	10 682	10 950	10 950	18 006	24 782	35 935
<b>Free Services</b>												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	14.5%	14.4%	1.4%	1.4%		1.4%	1.4%	1.4%
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			87 940	103 670	123 507	152 789	156 225	156 225	156 225	153 549	161 796	170 148
Total Operating Expenditure			96 514	122 542	119 791	142 767	145 578	145 578	145 578	147 898	157 590	165 753
Surplus/(Deficit) Budgeted Operating Statement			(8 573)	(18 872)	3 716	10 022	10 647	10 647	10 647	5 651	4 206	4 395
Surplus/(Deficit) Considering Reserves and Cash Backing			(17 201)	(5 343)	14 368	13 433	10 682	10 950	10 950	18 006	24 782	35 935
<b>MTREF Funded (1) / Unfunded (0)</b>	15	0	0	1	1	1	1	1	1	1	1	1
<b>MTREF Funded ✓ / Unfunded ✖</b>	15	✖	✖	✓	✓	✓	✓	✓	✓	✓	✓	✓

## **2.6 Expenditure on grants and reconciliations of unspent funds**

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

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## 2.7 Councilor and employee benefits

**Table 34MBRR SA22 - Summary of councilor and staff benefits**

Summary of Employee and Councillor remuneration  R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		A	B	C	D	E	F	G	H	I
<b><u>Councillors (Political Office Bearers plus Other)</u></b>	1									
Basic Salaries and Wages		7 413	8 988	10 345	6 996	6 996	6 996	7 416	7 861	8 333
Pension and UIF Contributions		916	846	930	988	988	988	1 047	1 110	1 177
Medical Aid Contributions		–	–	–	216	216	216	229	243	257
Motor Vehicle Allowance		–	–	–	2 698	2 698	2 698	2 860	3 032	3 214
Cellphone Allowance		–	–	–	920	920	920	975	1 034	1 096
Other benefits and allowances		–	13	2	177	177	177	187	199	210
<b>Sub Total - Councillors</b>		<b>8 329</b>	<b>9 847</b>	<b>11 277</b>	<b>11 996</b>	<b>11 996</b>	<b>11 996</b>	<b>12 716</b>	<b>13 478</b>	<b>14 287</b>
<b>% increase</b>	4		<b>18.2%</b>	<b>14.5%</b>	<b>6.4%</b>	<b>–</b>	<b>–</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages		3 342	4 219	662	4 383	4 214	4 214	5 086	5 472	5 866
Pension and UIF Contributions		409	151	2	7	11	11	11	12	12
Medical Aid Contributions		–	–	–	86	146	146	99	107	114
Motor Vehicle Allowance	3	1 043	425	66	1 378	1 433	1 433	1 198	1 289	1 382
Cellphone Allowance	3	–	–	–	336	101	101	358	385	412
Other benefits and allowances	3	274	1 283	420	2	2	2	0	0	1
<b>Sub Total - Senior Managers of Municipality</b>		<b>5 068</b>	<b>6 078</b>	<b>1 150</b>	<b>6 192</b>	<b>5 906</b>	<b>5 906</b>	<b>6 752</b>	<b>7 265</b>	<b>7 788</b>
<b>% increase</b>	4		<b>19.9%</b>	<b>(81.1%)</b>	<b>438.4%</b>	<b>(4.6%)</b>	<b>–</b>	<b>14.3%</b>	<b>7.6%</b>	<b>7.2%</b>
<b><u>Other Municipal Staff</u></b>										
Basic Salaries and Wages		23 030	25 525	33 192	34 371	36 855	36 855	39 002	41 831	43 599
Pension and UIF Contributions		587	605	699	8 070	8 942	8 942	9 880	10 626	11 060
Medical Aid Contributions		928	1 430	1 679	1 760	2 624	2 624	1 948	2 096	2 233
Overtime		1 586	2 014	1 452	1 014	2 231	2 231	2 373	2 551	2 595
Performance Bonus		1 387	2 168	2 503	2 617	3 047	3 047	3 242	3 487	3 654
Motor Vehicle Allowance	3	3 502	2 822	3 298	964	1 922	1 922	852	917	983
Housing Allowances	3	–	–	–	52	64	64	67	72	77
Other benefits and allowances	3	42	77	431	1 641	1 641	1 641	1 639	1 878	2 014
Payments in lieu of leave		1 591	1 908	7 355	–	–	–	–	–	–
Long service awards		4 795	7 405	(1 043)	–	–	–	–	–	–
<b>Sub Total - Other Municipal Staff</b>		<b>37 447</b>	<b>43 953</b>	<b>49 565</b>	<b>50 488</b>	<b>57 326</b>	<b>57 326</b>	<b>59 003</b>	<b>63 459</b>	<b>66 215</b>
<b>% increase</b>	4		<b>17.4%</b>	<b>12.8%</b>	<b>1.9%</b>	<b>13.5%</b>	<b>–</b>	<b>2.9%</b>	<b>7.6%</b>	<b>4.3%</b>
<b>Total Parent Municipality</b>		<b>50 844</b>	<b>59 879</b>	<b>61 992</b>	<b>68 676</b>	<b>75 228</b>	<b>75 228</b>	<b>78 471</b>	<b>84 203</b>	<b>88 290</b>
			<b>17.8%</b>	<b>3.5%</b>	<b>10.8%</b>	<b>9.5%</b>	<b>–</b>	<b>4.3%</b>	<b>7.3%</b>	<b>4.9%</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>50 844</b>	<b>59 879</b>	<b>61 992</b>	<b>68 676</b>	<b>75 228</b>	<b>75 228</b>	<b>78 471</b>	<b>84 203</b>	<b>88 290</b>
<b>% increase</b>	4		<b>17.8%</b>	<b>3.5%</b>	<b>10.8%</b>	<b>9.5%</b>	<b>–</b>	<b>4.3%</b>	<b>7.3%</b>	<b>4.9%</b>
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>42 515</b>	<b>50 031</b>	<b>50 716</b>	<b>56 681</b>	<b>63 232</b>	<b>63 232</b>	<b>65 755</b>	<b>70 724</b>	<b>74 003</b>

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**Table 35 MBRR SA23 – Salaries, allowances and benefits – councillors and senior management**

**KZN265 Nongoma - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior management)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4		373 151	81 656	176 071			630 878
Chief Whip			–	–	–			–
Executive Mayor			467 799	100 710	213 971			782 480
Deputy Executive Mayor			371 194	83 614	176 071			630 878
Executive Committee			1 197 067	216 689	618 060			2 031 816
Total for all other councillors			5 006 731	721 558	2 911 160			8 639 449
<b>Total Councillors</b>	8	–	<b>7 415 942</b>	<b>1 204 227</b>	<b>4 095 332</b>			<b>12 715 501</b>
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			1 292 377	1 948	472 102	129 238		1 895 665
Chief Finance Officer			1 163 139	22 053	174 527	116 314		1 476 033
Director-Community			1 044 375	45 252	277 534	104 437		1 471 598
Director-Corporate			1 044 375	37 343	129 165	104 437		1 315 320
Director-Technical			1 163 139	1 872	338 257	116 314		1 619 582
Director-Planning			1 044 375	1 872	143 091	104 438		1 293 775
<i>List of each official with packages &gt;= senior manager</i>								
<b>Total Senior Managers of the Municipality</b>	8,10	–	<b>6 751 780</b>	<b>110 339</b>	<b>1 534 675</b>	<b>675 178</b>		<b>9 071 973</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	–	<b>14 167 722</b>	<b>1 314 566</b>	<b>5 630 007</b>	<b>675 178</b>		<b>21 787 474</b>



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**Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure**

**KZN265 Nongoma - Supporting Table SA25 Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>																
Property rates		1 745	1 745	1 745	1 745	1 745	1 745	1 745	1 745	1 745	1 745	1 745	1 745	20 939	22 195	23 527
Property rates - penalties & collection charges		234	234	234	234	234	234	234	234	234	234	234	234	2 810	2 979	3 158
Service charges - refuse revenue		149	149	149	149	149	149	149	149	149	149	149	149	1 790	1 901	2 013
Rental of facilities and equipment		10	10	10	10	10	10	10	10	10	10	10	10	122	130	138
Interest earned - external investments		143	143	143	143	143	143	143	143	143	143	143	144	1 720	1 827	1 935
Fines		24	24	24	24	24	24	24	24	24	24	24	23	282	299	317
Licences and permits		60	60	60	60	60	60	60	60	60	60	60	60	715	760	804
Transfers recognised - operational		42 493	–	276	–	40 376	–	–	276	40 349	–	–	992	124 761	131 270	137 796
Other revenue		34	34	34	34	34	34	34	34	34	34	34	34	410	436	461
<b>Total Revenue (excluding capital transfers and contr</b>		<b>44 892</b>	<b>2 399</b>	<b>2 675</b>	<b>2 399</b>	<b>42 775</b>	<b>2 399</b>	<b>2 399</b>	<b>2 675</b>	<b>42 748</b>	<b>2 399</b>	<b>2 399</b>	<b>3 392</b>	<b>153 549</b>	<b>161 796</b>	<b>170 148</b>
<b>Expenditure By Type</b>																
Employee related costs		5 480	5 480	5 480	5 480	5 480	5 480	5 480	5 480	5 480	5 480	5 480	5 480	65 755	70 725	74 003
Remuneration of councillors		1 060	1 060	1 060	1 060	1 060	1 060	1 060	1 060	1 060	1 060	1 060	1 059	12 716	13 478	14 287
Debt impairment		147	147	147	147	147	147	147	147	147	147	147	147	1 760	1 859	1 963
Depreciation & asset impairment		846	846	846	846	846	846	846	846	846	846	846	845	10 151	10 908	11 680
Finance charges		50	48	46	44	42	40	38	37	36	35	34	32	482	391	292
Contracted services		1 483	1 483	1 483	1 483	1 483	1 483	1 483	1 483	1 483	1 483	1 483	1 483	17 795	18 620	19 465
Transfers and grants		18	18	18	18	18	18	18	18	18	18	18	18	217	167	177
Other expenditure		3 252	3 252	3 252	3 252	3 252	3 252	3 252	3 252	3 252	3 252	3 252	3 251	39 023	41 442	43 885
<b>Total Expenditure</b>		<b>12 335</b>	<b>12 333</b>	<b>12 331</b>	<b>12 329</b>	<b>12 327</b>	<b>12 325</b>	<b>12 323</b>	<b>12 322</b>	<b>12 321</b>	<b>12 320</b>	<b>12 319</b>	<b>12 315</b>	<b>147 898</b>	<b>157 590</b>	<b>165 753</b>
<b>Surplus/(Deficit)</b>		<b>32 557</b>	<b>(9 934)</b>	<b>(9 656)</b>	<b>(9 930)</b>	<b>30 448</b>	<b>(9 926)</b>	<b>(9 924)</b>	<b>(9 647)</b>	<b>30 427</b>	<b>(9 921)</b>	<b>(9 920)</b>	<b>(8 923)</b>	<b>5 651</b>	<b>4 206</b>	<b>4 395</b>
Transfers recognised - capital		14 806	–	–	14 806	–	–	–	–	14 806	–	–	0	44 417	44 567	49 276
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>47 363</b>	<b>(9 934)</b>	<b>(9 656)</b>	<b>4 876</b>	<b>30 448</b>	<b>(9 926)</b>	<b>(9 924)</b>	<b>(9 647)</b>	<b>45 233</b>	<b>(9 921)</b>	<b>(9 920)</b>	<b>(8 923)</b>	<b>50 068</b>	<b>48 773</b>	<b>53 671</b>

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## 2.8 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### Table 39 MBRR SA33 – Contracts having future budgetary implications

There are no such contracts in place.

## 2.9 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

### Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>					
<b><u>Capital expenditure on new assets by Asset Class/Sub-class</u></b>					
<b><u>Infrastructure</u></b>	<b>42 381</b>	<b>52 181</b>	<b>44 817</b>	<b>44 567</b>	<b>49 276</b>
Roads: Roads, Pavements & Bridges	30 381	40 181	30 417	32 567	34 276
Electricity: Transmission & Reticulation	12 000	12 000	14 000	12 000	15 000
Other:Paving			400		
<b><u>Community</u></b>	<b>–</b>	<b>900</b>	<b>800</b>	<b>1 000</b>	<b>–</b>
Other		900	800	1 000	
<b><u>Other assets</u></b>	<b>5 492</b>	<b>8 833</b>	<b>8 550</b>	<b>4 100</b>	<b>1 500</b>
General vehicles	3 130	3 130	5 950	3 100	500
Plant & equipment	353	3 353	650	–	–
Computers - hardware/equipment	277	340	243	–	–
Furniture and other office equipment	1 232	1 252	507	–	–
Other Buildings	200	–	1 000	1 000	1 000
Other	300	758	200	–	–
<b>Total Capital Expenditure on new assets</b>	<b>47 873</b>	<b>61 914</b>	<b>54 167</b>	<b>49 667</b>	<b>50 776</b>

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**Table 41 MBRR SA34b - Capital expend on the renewal of existing assets by asset class**

**No such expenditure.**

**Table 42MBRR SA34c - Repairs and maintenance expenditure by asset class**

KZN265 Nongoma - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2012/13	2013/14	Current Year 2015/16			2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1								
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>		1 019	3 151	4 398	4 398	4 398	4 398	4 671	4 947
Infrastructure - Road transport		1 019	3 151	4 398	4 398	4 398	4 398	4 671	4 947
Roads, Pavements & Bridges		1 019	3 151	4 398	4 398	4 398	4 398	4 671	4 947
<b>Other assets</b>		1 529	1 355	2 794	2 154	2 154	2 862	3 035	3 214
General vehicles		510	767	1 162	663	663	548	578	612
Plant & equipment		255	85	69	79	79	84	89	94
Other Buildings		765	503	1 562	1 412	1 412	2 230	2 368	2 508
<b>Total Repairs and Maintenance Expenditure</b>	1	<b>2 548</b>	<b>4 506</b>	<b>7 192</b>	<b>6 552</b>	<b>6 552</b>	<b>7 260</b>	<b>7 706</b>	<b>8 161</b>
<b>R&amp;M as a % of PPE</b>		1.2%	2.0%	2.4%	2.2%	2.2%	2.1%	2.0%	1.9%
<b>R&amp;M as % Operating Expenditure</b>		2.6%	3.7%	5.0%	4.5%	4.5%	4.9%	4.9%	4.9%

## **2.10 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) still need to improve.

### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

The Audit Committee is functioning satisfactorily during the year.

### **5. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



### **2.11 Municipal manager's quality certificate**

*I, Mr.BE Ntanzi, municipal manager of Nongoma Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.*

BE Ntanzi

**Municipal manager of Nongoma Municipality (KZN265)**

Signature \_\_\_\_\_

Date            18 March 2016